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SPECIAL WAR NUMBER
THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE BRITISH EMPIRE

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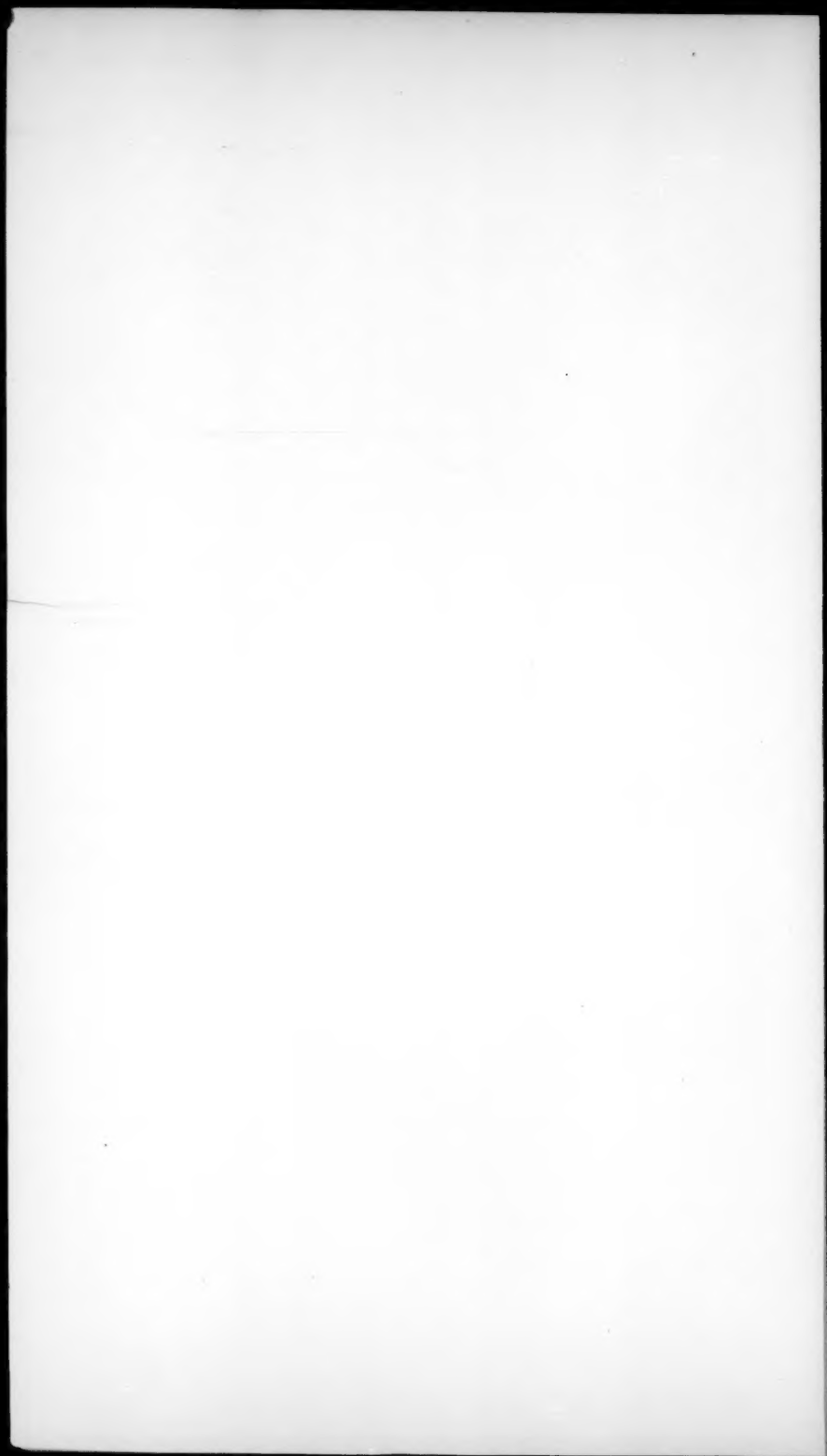
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SEPTEMBER · MCMXIV Price 2/6 N° 16



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THE WAR IN EUROPE

ON August 6, two days after war began, Mr Asquith spoke these words in the House of Commons: "I do not believe any nation ever entered into a great controversy—and this is one of the greatest history will ever know—with a clearer conscience and stronger conviction that it is fighting, not for aggression, not for the maintenance even of its own selfish interest, but that it is fighting in defence of principles, the maintenance of which is vital to the civilization of the world. With the full conviction, not only of the wisdom and justice, but of the obligations which lay upon us to challenge this great issue, we are entering into the struggle."

These words represent exactly the sentiment which united a discordant cabinet to support Sir Edward Grey, and which rallied a country, anxious for peace, at any price consistent with its honour, behind the Government in its declaration of war on Germany. Yet it is difficult to define what it is which has produced this unanimity, or the ideal for which as an Empire we feel we are fighting. It is the purpose of this article to attempt to do this.

I

LET us begin by examining briefly the situation in South-Eastern Europe, that stormy centre where the torch was lit which has set all Europe ablaze. In another

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article in this number the events in Austria-Hungary and in the Balkans which preceded the war are described at length.* It is only necessary to summarize the position here.

Austria-Hungary is a country more divided by race differences than any country in the world, as the following tables will show.

AUSTRIA.

Total population (1910), 28,567,000.

Germans	9,171,614
Czechs and Slovaks	5,955,397
Poles	4,252,483
Ruthenes	3,381,570
Slovenes	1,192,780
Italians	727,102
Serbs and Croats	711,380
Rumanians	230,963

HUNGARY.

Total population (1910), 20,886,487.

(Including 932,458 Jews.)

Magyars	10,050,575
Germans	2,037,435
Slovaks	1,967,970
Rumanians	2,949,032
Ruthenes	472,587
Croats	1,883,162
Serbs	1,106,471
Others	469,255

In Bosnia-Herzegovina the population was 1,898,044, almost entirely Serbo-Croat.

It is easy to understand that it is no simple matter to keep the peace between these races. For more than forty years this has been done by what is known as the Dualist system, the Austro-Hungarian constitution invented in 1867, after the war of Italian independence and the war between Austria and Prussia. The Habsburg peoples were

* See the article entitled "The Austro-Servian Dispute."

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then organized in two States, Austria and Hungary, absolutely independent of one another in internal affairs, and united only in allegiance to a common throne and by having their defence and foreign policy conducted as a joint business by the Habsburg monarch and his ministers. Stability was ensured within each of these States by the establishment of an artificial hegemony of the Germans over all other races in Austria, and of the Magyars over all other races in Hungary. The Dualist system represented an alliance between the Habsburg dynasty, the Germans and the Magyars for the division of power.

Since the Dual constitution came into force, however, there have been great changes in South-Eastern Europe. Education has spread among the subordinate races, and their claim for equal treatment and for a share in the control of affairs has become louder and more insistent. In consequence for the last thirty years Austro-Hungarian politics have centred entirely about the struggle of the other races (Poles, Czechs, Slovaks, Ruthenes, Croats, Serbs, Slovenes, Rumanians, and Italians—32,000,000 in all) against the German-Magyar ascendancy crystallized in the Dualist constitution. In Austria that struggle had been largely successful. Nowadays while the direction of affairs still rests mainly in German hands, there is little oppression of other nationalities, which have more or less complete autonomy in their own local affairs. In Hungary it is different. Under the Hungarian constitution the Magyars are still permanently in the ascendant, and the mainspring of politics in the country is the determination to keep this ascendancy intact and to resist any encroachment on political power by the other races. This is done in a thousand and one ways, by manipulating the franchise, by "rigging" the voting arrangements, by suppressing the Slav press, by restricting the education of the Slav and Rumanian peoples, and so forth.

The race question, however, is not only an internal problem. Many of the races in the Monarchy have large

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numbers of their fellows just beyond the boundaries. The bulk of the Poles are in Russian and German Poland. The Ruthenes are but a section of the Little Russian people occupying the Ukraine—the south-west corner of Russia: three and a half million Rumanians are blood brothers to the inhabitants of Rumania. Finally the Southern Slavs in Servia and Montenegro number 3,500,000 as against 6,500,000 within the Monarchy. The politics of Austria-Hungary are infinitely complicated by nationalist movements among each of these people for reunion with their brothers outside.

Of late years there have been two schools of opinion in Austria-Hungary. The first, which may very roughly be called the "Great Austrian" school, believed in a policy of race reconciliation in which all races should be given their liberties and should gradually come to exercise their proportionate influence in the conduct of affairs. This meant the destruction of the Dualist system and the institution of some kind of central Federal Parliament over the top of the two independent Austrian and Hungarian Parliaments. Austria-Hungary would then cease to be united only in the person of the Emperor-King, but would have a true national foundation in a parliament representing all races and interests. The leader of the party of reconciliation was the Archduke Francis Ferdinand, and there is no doubt that had he succeeded to the throne he would at once have initiated a policy on these lines.

The second school of opinion, centred in Hungary, stood for the existing system root and branch. It would brook no change in the privileged status of Hungary in the Dualist regime and no weakening in the power of the Magyars to tyrannize over their unfortunate subject peoples.

For years first one party and then the other was in the ascendant. The Balkan war, however, precipitated a crisis. By it the Southern Slavs took their place in the world as a virile people, and Servia, proud of her record and largely

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increased in size and power, instantly became the focus of a violent pan-Southern Slav propaganda spread all through Bosnia-Herzegovina and Southern Hungary which aimed at detaching the Southern Slav territories from Austria-Hungary. It became evident that the Southern Slavs would not long acquiesce in the repression of their fellow Slavs under the Magyar regime. The future of the Monarchy was clearly at stake.

The two schools of opinion held different views as to the way the crisis should be met. The Hungarians and the military party—of whom the most conspicuous members were Count Tisza—the Hungarian Premier and the noted duellist—and Konrad von Hoetzendorf, the chief of the general staff, were for coercion. They believed in a dramatic and decisive attack on Serbia before she could recover from the effects of the late war, which would cripple her permanently, make her dependent economically and militarily on Austria-Hungary, and take all the fire and courage out of the Southern Slavs in their attempts to free themselves from the Magyar-German domination. Success in the field would frighten the other races and would also give a new lease of life to the antiquated machinery of the Dual Monarchy and to the Magyar domination.

The other party realized that events in the Balkans had only made their programme of racial reconciliation and constitutional reform more urgent than before. If it could be achieved not only would it remove the discontent among the Southern Slavs, but it might make possible better relations both with Russia and Serbia.

This policy, however, was equally distasteful to the forward party among the Servians, who hoped to take Bosnia-Herzegovina by force for themselves, and to the party of military domination in Austria, who knew it was the death-knell to their own predominance. How violent was the feeling may be gauged from the fact that there are reasons for believing that the existence of a plot to assassinate the Archduke in Serajevo was known in some quarters in

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Vienna, and that no proper precautions for his safety were taken.

The tragic assassination of Francis Ferdinand and his wife ended in a moment the work of reconciliation of many long years. It removed the leader of the progressive party in Austria-Hungary and the one man who might have remodelled the constitution and settled the terrible race problems of South-Eastern Europe without bloodshed. It caused a violent revulsion of feeling in Austria-Hungary, and put into power the party of military coercion. They did not hesitate. Preparations for war were begun at once, and as soon as they were complete the ultimatum of July 23 was sent to Serbia. The terms were not such as could be accepted by any country which wished to retain its independence. It was never intended to be accepted, as everybody knew; and this was made clear by the contemptuous dismissal of the almost abject Servian reply.

In this quarrel between Austria-Hungary and Serbia, Russia felt herself vitally involved. Russia has always championed the cause of all the Slav peoples. Her diplomacy is always at their call and she has in the past taken up arms on their behalf. The only war cry which stirs every breast in Russia, peasant as well as aristocrat, is the call to arms in defence of their fellow Slavs. Thus the whole Russian nation felt bound to intervene rather than see Austria-Hungary destroy the independence of Serbia and by a ruthless display of force repress once more the hopes of the Southern Slavs.

Russia was involved in another way. For years there has been a silent struggle between Austria-Hungary and Russia for the allegiance of the Slav peoples along the border—a struggle in which the Orthodox and the Roman Catholic Churches, and even the Universities, take part. For Russia to stand aside in the attack on the Southern Slavs would have probably meant the final loss of all the Slav peoples which fringe the northern boundaries of Austria-Hungary from Bohemia to Rumania.

Finally Russia felt herself challenged as a great power.

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She has always claimed to be as much concerned with the affairs of the Balkans as Austria-Hungary. Within the last fifty years her armies have fought to within sight of Constantinople. To have stood aside when Austria-Hungary was annihilating Servia would have been to surrender her status as a Balkan power. Once she was forced to do so, in 1909, when Bosnia and Herzegovina were annexed to the Habsburg Monarchy without notice, and Germany abruptly threatened Russia with war in "shining armour" if she did not instantly accept the situation. Paralysed after her defeat by Japan Russia had no option but to give way. But triumphs won by the threat of war rankle. It has never been forgotten. Russia was determined never to tolerate such an affront again. Hence, no sooner did she realize that Austria-Hungary meant business than she made up her mind that the time had come when, if Austria persisted in crushing the Southern Slavs by force, she must fight. It is clear from the published correspondence that Russia did not want war, that she was willing that the dispute should be referred to the arbitration of Europe, and that she was ready to force Servia to offer any reparation, short of her "territorial integrity and independence," to avoid it, but that rather than abandon her to the wolves she would draw the sword.

Thus it is easy to understand how war broke out in South-Eastern Europe. The country contains a welter of races struggling for freedom or power. Only the most far-sighted statesmanship could hope to steer its way to a permanent and peaceful settlement. The one hope of such a consummation was removed by the hand of the assassin. Bloodshed was then almost inevitable. Servia, Austria-Hungary and Russia each felt that the time had come when the issues must be brought to the final test of war. And it is easy to understand also that Germany felt herself involved. She has been daily growing more frightened of her vast neighbour to the east. She has a natural sympathy with the Germans of Austria. She is tied to Austria-Hungary by an alliance, and she feels

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strongly the duty of protecting Germanism—with its higher civilization and culture—from the dominance of the lesser civilization of the Slav. In any war which was likely to remodel the map of South-Eastern Europe it was almost inevitable that Germany should take a hand. But why should this quarrel have drawn in France, England and Belgium—countries in no way concerned with the Balkans and all of them anxious for peace? To answer this we must look briefly at the history and position of Modern Germany.

II

IT is impossible to understand Germany's position in Europe until one realizes how young Germany is among the great nations of the world. Since the Reformation the name had stood for a collection of many States, a prey to the quarrels of the great feudal lords, or trampled over by the armies of the Kings of Europe. It was a country in which the creative minds gave little heed to politics, but much time to philosophy, music and literature. It was the Germany whose genius ultimately found expression in Beethoven, Goethe and Kant, but which took little active part in the political struggles of mankind.

Modern Germany is very different. It is quite a recent product—the creation of a few great Prussians—Frederick the Great, Scharnhorst, Bismarck, Moltke. They saw the weakness of Germany and they realized that unity and strength alone could give her the position in the world to which her numbers and her civilization entitled her. They saw too, that left to themselves the Germans might never achieve either, and that they must be imposed upon them from above. And the means they employed was war, and the inculcation of the virtues that make for success in war, discipline, obedience, and, above all, valour and the will to succeed.

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It was inevitable that the modern Germans should worship the methods which, in the hands of their great leaders, have won for Germany the position she now holds. They have all their old belief in their mission as a civilizing power, and as leaders in thought, literature, and art. But they have learnt that that mission cannot be truly accomplished in disunion and weakness. The triumph of the civilization of Greece over the barbarian was assured at the victory of Thermopylæ. The genius of Rome for law was finally made the birthright of mankind in the long struggle which followed the defeat at Cannæ. England would never have bequeathed her testament of liberty had she not nerved herself to resist the Spanish Armada. Prussia learnt this lesson long ago. In forty years she has taught it to all Germany. Hence her amazing efficiency, and the wonderful sacrifices her people are ready to make to enable them to reach their destined goal as the leaders and rulers of the world. To arm themselves with the necessary naval and military strength, they are organized as a vast military machine. To give their policy strength and decision, they leave the control of foreign policy and naval and military preparations, in the hands of the Emperor and his ministers. To preserve that disciplined obedience which unites all Germany as an unmatched engine of war, they treat revolt against authority as one of the most serious of crimes.

The world dominion of which Germany dreams is not simply a material dominion. As the late Professor Cramb has said: "Force alone, violence or brute strength, by its more silent presence or by its loud manifestation in war, may be necessary to establish this dominion; but its ends are spiritual. The triumph of the Empire will be the triumph of German culture, of the German world-vision in all the phases and departments in human life and energy, in religion, poetry, science, art, politics, and social endeavour. The characteristics of this German world-vision, the benefits which its predominance is likely to confer upon mankind are, a

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German would allege, truth instead of falsehood in the deepest and gravest pre-occupations of the human mind." *

This Prussian spirit, a spirit which, whatever its defects, teaches men above all to live greatly, has gripped the soul of Germany. It is found from top to bottom of society. It has a fountain in every university and school. It breathes through the popular philosophies of the day, which glorify strength and the ruthless use of it. The immense popularity of Wagner's music is due to the consciousness that in its irresistible strength and beauty it enshrines the very spirit of modern Germany. It appears in art, in manufacture, in the restless commercial energy which has so impressed the world. Above all it is manifested in her preparation for war, in the overwhelming energy with which Germany has forged for herself the instruments with which she is to win her way to the dominion of the world.

It is to the discredit of the Anglo-Saxon race that they have been blind so long to the real greatness of Germany—to her profound religious sense, to her genius for music, to the independence of her thought, to her research, her literature, her art, above all to the high courage which inspires her national resolve. But with this greatness there is one fatal defect.

The spirit of modern Germany is not only great-hearted, it is ruthless and brutal. Coupled with a magnificent readiness to make any effort or sacrifice needed for German progress, is a supreme disregard for the rights of others. Where the interests of Germany are at stake there is no code of right or wrong. Might is the only law. It is this doctrine which is the justification to the German mind of the appalling cruelty and vandalism in Belgium—carried out not by an inflamed and vindictive soldiery, but deliberately by officers for a terrorist purpose. It is the explanation of the regime in Alsace-Lorraine and Poland—of incidents like Zabern. They are not due to the natural insolence of the Prussian, they are part of the system by which the fighting efficiency of the army and its prestige

* J. A. Cramb, *Germany and England*, p. 112.

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before the civilian and the outside world is upheld. It is the mainspring of their foreign policy. Diplomacy of the mailed fist is the product of the school of political thought which dominates the country to-day and which teaches that it is the destiny of Germany to march straight forward to the hegemony of the world and that consideration for the rights of others, or respect for the sanctity of treaties, or for her own promised word, is weakness and treason to the great German cause.

It is easy, perhaps, to give an impression of exaggeration in all this, especially if equal insistence is not laid upon the many admirable and gentle qualities of the German people, especially of the South. But it is essential to realize what the spirit of modern Germany is—it is more closely examined in another article in this issue—for it is the dynamic cause of the present war.

It becomes clearer when one examines the broad outline of European history during the last forty years. After making the German Empire in the wars of 1864-1870 Bismarck felt that his mission was accomplished and that Germany required an era of peace in which to build up her strength and reap the fruits of unity. He steadily cultivated friendly relations with his neighbours, so as to prevent hostile combinations. When he was dismissed from office so dramatically by the young Emperor in 1891, Germany was threatened by no one. England was entirely "disinterested" in European politics and only asked to be allowed to devote herself to the internal problems of her Empire in peace. France was still suffering from the shock of her defeat and was in the throes of internal convulsions, which culminated later in the Dreyfus case. She had more or less acquiesced in the loss of Alsace-Lorraine and had turned to the building-up of a North African Empire in its place. Russia was preoccupied in her steady expansion across Siberia towards the Eastern sea. Nobody thought of attacking Germany, her territories, her colonies, or her trade. In thirteen years the position was transformed. By 1904 the whole world had been made to feel the force of

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German aggression, every nation had been forced to build up armaments in self-defence, Europe was divided into two hostile camps, and the colossal war which has now broken upon us was the talk of every lip. How had this come about?

Twenty years of peace had made good the exhaustion of the three great wars of 1864, 1866, and 1870 in which Prussia gave Germany her unity. She began to feel once more the call to empire. Germany must commence her forward march again. What was her objective this time? Under Bismarck it had been unity and influence in Europe. Under William the Second it was expansion into the greater world outside. And what was the method by which she was to achieve her will? The same—war. To the rest of the world war is a horrible thing—a final resort with which to defend some vital interest when all the ordinary methods of diplomacy and negotiation and compromise have failed. To the governing classes in Germany it is just the reverse. War is glorified as the supreme test of national character. Peoples who are not willing to risk war in pursuit of their aims are branded as inferiors, destined to be trampled over by the superior determination and self-sacrifice of the Germanic race. War, therefore, with all its horrors, is the first instrument of their diplomacy, to be threatened and declared simply as it happens to suit the interest of Germany. Thus in the last ten years Germany has threatened Europe with war on three occasions, in 1905 when she demanded and obtained the resignation of M. Delcassé as the alternative, in 1909 when she threw her "shining armour" into the scale and compelled Russia to acquiesce in the annexation of Bosnia-Herzegovina by Austria-Hungary and the tearing up of the treaty of Berlin, in 1911 when she endeavoured at Agadir to coerce France and break up her entente with England.

The effect of the new movement forward was immediate. Bismarck's diplomatic edifice fell with a crash, and France and Russia, feeling the common danger, formed the Dual Alliance in mutual self defence. Then Germany began to realize that if she was to attain to world power, it meant

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conflict with England, that her real enemy was not France or Russia, but England, and that the British Empire occupied exactly the place that Germany aspired to fill. Instantly the tide of feeling against England began to rise. Germans felt that it was intolerable that England, who had won her Empire more by good luck and the fortune of her position, than by any supreme national sacrifice, who could not even discipline herself as a nation in arms to defend it, should bar their way, and with characteristic resolution they set to work to prick the bubble of her reputation, that they might stand forth as the rulers among men. The Emperor's reference during the Boer War to Germany's "bitter need" for a fleet gave the signal. The great Navy Law of 1900 was followed by others which, in Sir Edward Grey's words, provided for the construction of a fleet "greater than any then in existence." Germany had made a bid which would give her the mastery of the seas in little more than twelve years. Public opinion in England became more and more alarmed, and a gradual rapprochement to France, caused by the common pressure from Germany, ended in 1904 in the Anglo-French Entente.

It was obvious that the British Empire could not afford to see built up in the North Sea a navy greater than its own and in the hands of an aggressive Power. Superiority at sea was essential to its very existence. Strenuous efforts were made to bring home to Germany that she had nothing to fear from England and that sea power, however great, without an army to back it, was useless for offensive purposes. When the Liberals came into power in 1906, they went to the furthest possible limit to make Germany realize this and to put a stop to the competition in armaments before the growing tension ended in war. To prove the sincerity of their intentions they only built one capital ship in 1907 and in 1908, only two as against Germany's three in each. But it was not fear, it was ambition, that prompted the creation of the German navy. No appeals to economy or suggestions about naval holidays could influence her, for, as the German

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Chancellor said in answer to President Taft's proposals about arbitration, "The old saying still holds good that the weak will be the prey of the strong. When a people will not or cannot continue to spend enough on its armaments to be able to make its way in the world, then it falls back into the second rank and sinks down to the rôle of a super on the world's stage. The vital strength of a nation is the only measure of that nation's armaments." The German answer to the Liberal proposals was a new Navy Law increasing their annual programme to four capital ships. There is probably no case in history of one nation setting to work to challenge more deliberately the peace and safety of another. The Liberal Government, in despair, abandoned its efforts and ended by giving an order for eight dreadnoughts in one year to make up leeway.

That is the historical background to the war. Till it is grasped it is not possible to understand why France and England are engaged in a conflict which in its origins was a domestic concern of the nations bordering on South-Eastern Europe. The war spread to the West because the military and naval preparations of Germany and the whole trend of her policy had forced Russia, France and England into an entente for their mutual protection. That entente was entirely defensive. Its object was to guarantee the safety of the three parties, and to preserve the peace of Europe, by presenting to possible German aggression such a combination of strength, that it could not get what it required by war. But while it conduced to the peace and safety of the three parties it carried with it the obligation to war if any of them were attacked. Under the pressure of the determination of Germany to make its way by armaments, Europe had reached the point when only two alternatives lay before it—Peace or Armageddon. It was the recognition of this terrible fact which kept the peace during the Balkan wars. Unfortunately, the assassination of Francis Ferdinand produced a crisis which Germany, driven by its own traditions, tried to solve by the diplomacy of the mailed fist, and the die for the great struggle was cast.

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III. THE CRITICAL FORTNIGHT

LET us now take up again the thread of causes which immediately led to the outbreak of war between the Triple Alliance and the Triple Entente. We had reached the point when the rulers of Austria-Hungary had determined to smash Serbia as the best means of getting rid of the Southern Slav danger, and of fortifying afresh the Dual system. They made their intentions clear to the German Government beforehand, which recognized, of course, that they involved war, or at least grave danger of war, with Russia. For as M. Sazonof declared during the negotiations "he had made it clear to the Austrian Government during the Balkan crisis that war with Russia must inevitably follow an Austrian attack on Serbia." In these circumstances what was Germany to do? She was linked to Austria-Hungary by a close Alliance. She shared the general horror at the Serajevo murder, and cordially agreed that strong measures against the Servian propaganda were necessary. Above all she felt bound by her belief in her own mission as the protector of German civilization to prevent her neighbour to the South from being overwhelmed by the Slav tide. She decided, therefore to give her ally an "entirely free hand against Serbia." (German White Book.) She also determined to insist on the question being treated as a purely local quarrel in which none of the Great Powers had any concern. That meant challenging Russia in the most open and deliberate way.

Why did Germany support Austria-Hungary in her actions in presenting an ultimatum with a 48 hours' time limit, the immediate cause of war, in refusing to delay military operations against Serbia so as to give diplomacy a chance, and in rejecting the Servian reply, even as a basis for negotiation or mediation? Two answers are possible. One is that the governments of the two powers, under

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pressure from their military and naval classes, had decided to seize the opportunity to put an end to the present intolerable balance of power by a sudden attack on their enemies which would finally give the German powers the hegemony of central and western Europe. In support of this view it is said that the military party in Berlin has for some years now been steadily growing more anxious. It has been their theme that while the burden of armaments has been growing the chance of Germany's using them successfully to cut her way to the dominance of Europe has diminished, owing to the military regeneration of France and of Russia, and the growth of the British Fleet. To those who believed that Germany was destined to impress her unconquerable spirit on the world by great deeds of war, the idea that she should assume a peaceful and defensive attitude in international affairs was intolerable. It was the negation of all that Bernhardi dreamed of when he gave one of his chapters the title—"World-Power or Downfall." It was inevitable that this school should demand that Germany should throw her mighty armament into the scales at the first excuse and decide the issues in her own favour once and for all.

While it is impossible to estimate how far the aggressive military party behind the governments of Austria-Hungary and Germany forced their hands during the crisis, there is another and more probable explanation of the outbreak. Having determined that drastic action against Servia was necessary and realizing the tremendous risks it entailed, the two Governments decided once more on the traditional Prussian move—the diplomatic "hold up" under the threat of war—the same method which had succeeded in 1905 and in the "shining armour" episode of 1909. They probably calculated as follows: that Russia—her military reorganization incomplete—was not anxious for war; that France, in view of recent military scandals, was positively anxious to avoid war; and that England, profoundly pacifist and threatened by the gravest internal complications in Ireland, would snatch at almost any pretext to keep out of

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war. In these circumstances all the advantages would lie with themselves. The Entente Powers would probably hesitate to take up the challenge. Meanwhile the Austrian attack on Serbia, delivered at once, would continue. If the Entente Powers did eventually unite to resist, it would probably be possible to arrange a compromise as Austria would have vindicated her prestige. If they did not and retreated, it would be one more triumph for the diplomacy of the mailed fist and a renewed lustre to German prestige, dimmed by the retreat in 1911 when they attempted a similar "hold up" on England and France.

Unfortunately Germany and Austria failed to realize that France and Russia had made up their minds never again to submit to the bullying tactics which resulted in the resignation of M. Delcassé in 1905 and the retreat of Russia in 1909. The determination of these two Powers not to give way to the threats of war is apparent in the published correspondence from the start. But once having started on the line of a diplomatic "hold up," the Austro-Hungarian and German Governments were not going to give way at the first challenge of their opponents. Having deliberately thrown the sword into the scale at the very beginning by the 48 hours' ultimatum, they consistently followed it up by a refusal to delay warlike operations against Serbia, or to treat the abject Servian reply as a basis for compromise. It was not until Russia, France and England had given unmistakable indications that they were not going to retreat in the face of threats, and they saw that Europe really was on the verge of war, that they paid any real attention to the repeated proposals for conciliation. But it was then too late. The two great military machines ranged against one another by the diplomatic methods of Germany during the last twenty years had been set in motion, and the control of events had passed into the hands of the military authorities. As Austria-Hungary refused to delay her attack on Serbia Russia mobilized against her to show that she meant business and to be in time to save Serbia. Once Russia had begun

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to mobilize, the military cabinet in Germany, terrified lest they should lose the advantage conferred upon them by the slow mobilization of Russia and so nullify their whole strategic plan for crushing France and then turning back to resist Russia, swept the Foreign Office aside and forced on military preparations. Hearing of these and of similar preparations in Austria, Russia, conscious of her less rapid powers of concentration, ordered a general mobilization. Austria-Hungary followed suit, Germany then delivered an ultimatum to Russia that unless orders for the demobilization of her whole army were given within 12 hours a state of war would exist between the two countries, and all was up.

Thus, while there is much evidence for believing that the military authorities in Germany have been anxious for a trial of strength before the reorganization of the Russian army was complete, it seems to be nearer the truth to ascribe the outbreak of war to the adoption once too often of the fatal mailed fist diplomacy. The policy of Germany, like that of all other nations, is at bottom the product of the national character and ideas. Germany for forty years has believed that she was to make her way in the world by means of her armaments. It was inevitable that whenever difficulties arose she should throw them into the scale. Between 1905 and 1911, in six short years, she had done it three times. Such a state of affairs could not continue. Driven to immense military and naval counter preparations by German aggression since 1891, the Powers of the Entente were forced also into a diplomatic combination, for the only way of stopping a "hold up" is to exhibit greater strength and a readiness to fight yourself. But Germany, having retreated in 1911, could not afford to retreat again in 1914. By giving Austria-Hungary her support in the fateful ultimatum Germany had entered upon a course from which there was no turning back. Within a week of its presentation all Europe was aflame.

Considered in the light of history the sudden crisis seems almost bound to have come. Bullying tactics employed by one

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strong man against other strong men are bound to lead to a quarrel. Employed by nations they are no less bound to lead to war. The only possible attitude in international as in personal affairs is a steadfast maintenance of your own rights coupled with a friendly recognition of the rights of others. Sir Edward Grey, in 1911, after the Agadir crisis, made this plain. "It is difficult," he said, "to find a half-way house between constant liability to friction and cordial friendship. It is cordial friendship alone which provides sufficient mutual toleration and good will to prevent difficulties and friction which would otherwise arise." The German policy of solving international difficulties by threatening war as the alternative to retreat, is the exact opposite of this. The tragedy is that since the crisis of 1911 a few of the statesmen of Germany had begun to realize that only on the principles of Sir Edward Grey's speech could the peace of Europe be preserved, and had sought a relaxation of the tension so that friendly relations between Germany, France and England might gradually be established. But the Prussian tradition of Frederick the Great and Bismarck enshrined in the German constitution and in the army and unwisely applied by the Foreign Office was too strong. When a crisis arose it asserted itself. Instead of giving friendly diplomacy and negotiation a chance to reconcile the just claims of Austria-Hungary with the sovereign rights of Serbia and the diplomatic status of Russia, the rulers of Germany and Austria preferred to draw the sword at once and thrusting it in the face of the rest of Europe call upon their opponents to fight or surrender.

Only one question remained, was England to join in? Not a soul thought of seizing the opportunity of Germany's entanglement to deliver an attack upon her. The published correspondence shows that the British Government worked to the last hour for peace. Indeed so strong was the desire for peace that the real charge against our diplomacy is that it did not declare England's solidarity with France and Russia soon enough—a charge against the national character

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and temperament which tied its hands rather than against Sir Edward Grey himself. Yet directly the real issues were recognized, opposition disappeared.

England joined in the war, and with her the Dominions oversea, because the existence of the Empire was at stake and because her own honour was involved. The triumph of Germany would have meant the triumph of the Prussian spirit and the destruction of all effective resistance to it in Western Europe. A greater Germany, fronting possibly on the Channel, with more territory and larger resources, with no enemy save Russia in the distant East, organized once more as a huge fighting machine, and confirmed in her belief in the method of winning her way by blood and iron, would have threatened the essential liberties of the peoples of the British Empire, and the safety of the communications between its parts. A German victory over France and Russia would have carried with it the certainty of another and a more terrible attack on the British Empire later on.

Not less powerful was the sense of obligation to France. The Entente had been entered into for the common protection of the two countries against German aggression. It had been lauded in season and out of season in both countries. Here was the precise contingency it was designed to meet—a sudden and overwhelming attack on France before Russia could come to grips, and when trusting to it the French had denuded their northern coast of naval protection. People, whether they liked the policy of the Entente or not, felt that to desert France in the hour of peril would have been cowardly and dishonourable. "Our moral position would" to quote Sir Edward Grey, "have been such as to have lost us all respect" among other nations.

The consideration which finally overcame opposition was Germany's violation of Belgian neutrality. This both raised a passion of indignant sympathy and brought home to people as nothing else had done what the German peril meant. That any nation calling itself a great civilized power should attack a small inoffensive neighbour whose inde-

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pendence it had itself guaranteed, and trample it ruthlessly under foot as an enemy because it valued its own self-respect and refused to open under threats a right of way to the heart of a friendly neighbour, made men realize what the gospel of winning your way by force of arms really meant. And this was done, not in the last extremity of peril, but as part of a plan long worked out in the cold serenity of the public offices in Berlin. People had been disinclined to believe the stories about Germany's intentions. Here was brutal proof of what happened to people who stood in Germany's way.

The case was overwhelming. England united wholeheartedly with her French and Belgian allies in their struggle for liberty. For she recognized, and with her the Dominions and India, that victory was essential to their own safety and freedom. Failure would only mean one thing—that the doctrines of Prussia, the gospel of blood and iron, would gain a new vindication, a new authority in the eyes of the world, and another and more terrible struggle against it would await us in the future.

IV. ULTIMATE ISSUES

THE immediate cause of the war was the use once too often of the diplomacy of the mailed fist. The ultimate cause has been the ambition of Germany, which, using armaments as the instrument of expansion, has ranged half Europe in a league of self-defence against her. With the desire of Germany for expansion we can have real sympathy. It is natural that she should desire a place in the world commensurate with her energy and resources. But with her ideas of empire we can have none. We can only fight them to the "last breath of man and horse," for they are the exact antithesis of our own and are abhorrent to that spirit of liberty which is the mainspring of our political

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life. It may be as well, therefore, in conclusion, to contrast the ideas which are striving for mastery behind the conflict of men and steel in Europe to-day.

Germany not less than England, says Professor Cramb, believes that she is "dowered with the genius for empire, that power in a race which, like genius in the artist, must express itself or destroy its possessor. An empire she once had, centuries before France and England fought. That empire is lost. But in the German race the instinct for empire is as ancient and as deeply rooted as it is in the English race; and in the Germany of the present time, above all, this instinct, by reason of the very strength of Germany within herself, her conscious and vital energy, her sense of deep and repressed forces, is not a mere cloud in the brain, but is almost an imperious necessity. This is the real driving force in German politics, the essential thing."* The character of the German empire was given by Treitschke many years ago: "That just as the greatness of Germany is to be found in the governance of Germany by Prussia, so the greatness and good of the world is to be found in the predominance there of German culture, of the German mind, in a word, of the German character."†

Empire to Germany means dominion, the dominance of Germans backed by the sword, the dominance of German culture spread by the sword. It means the destruction of everything that is not German. Its character is seen in the repression of the Poles and the French, in Poland and Alsace-Lorraine. Its aims were exactly expressed with a naïve if amazing simplicity by Professor Lamsprecht when, commenting on the causes of the war in Leipzig on August 23, he said that Germany was now the protector and pillar of European civilization and that after bloody victories the world would be healed by being Germanized.

Empire to the British people means something quite different. It stands for a political system which gives to peoples

* J. A. Cramb, *Germany and England*, pp. 11-12.

† *Ibid.*, pp. 111-112.

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of the most diverse race, colour and civilization and spread all over the world, peace, unity and freedom. The watchword of the British Empire is not dominion but liberty. For the German's belief in Germany, it substitutes a profounder belief in humanity; instead of enforcing a uniform Germanism it looks to the development of every race and people within its boundaries to the highest of which it is capable; in place of the dominance of one race, as the cement of an Empire's unity, it puts the spontaneous loyalty of the inhabitants to its self-governing institutions and the free spirit which informs them. To a German the spectacle of an Empire, containing four hundred million people of every race and colour, and every degree of civilization uniting, not under compulsion, but in a common wave of spontaneous enthusiasm, to assist the Motherland, is inexplicable. Having no experience of political liberty himself, he cannot understand that the great Dominions, having vindicated their right to govern themselves, are proud of the system which had brought them into being and are as anxious to defend it as the English themselves. He cannot understand that the inhabitants of India and the Dependencies, seeing the difficulties of their rulers, should not hope eagerly for the overthrow of England, even if they do not seize the opportunity to rebel against her. He interprets the despatch of Indian troops to fight side by side with the British in Europe as the craven snatching by an effete power, unwilling to make sacrifices itself, at any means of safety, however humiliating to the white man's pride. He cannot see that this force is sent, not because its presence can be decisive, but in answer to the earnest request from all classes in India that they should be allowed to take a real part in the defence of the Empire to which they belong, and as a proof of the genuineness of our oft repeated declaration that we draw the civilization line, not the colour line, and that it is our primary function in India to assist its peoples to advance to such a degree of responsibility and understanding that they will be able to govern themselves.

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No greater testimony could be given to the superiority of British notions of Empire to German than these lines written by a prominent Indian welcoming the news of the despatch of an Indian contingent. "For the first time they will stand side by side with their British comrades against a common European enemy, for the first time the Indian people will realize that they are trusted in the hour of danger; . . . for the first time we feel that we are truly the equal subjects of the King. The noble Marquess (Lord Crewe) has said that sufficient safeguards have been provided against external or internal danger in India. There is no fear of either. Whatever intrigues Germany may stir up in Turkey, Moslem and Hindu in India are alike united in their unswerving devotion and loyalty to the Empire in this crisis. Nobody doubts, whatever may be the temporary difficulties, that we shall emerge victorious out of this terrible war; and we Indians feel that it will open a new chapter in our history, and, if I may say so, in the history of England, brighter and nobler than any in the past, for now and henceforth, England, India, and the Overseas Dominions will stand and grow together, united in bonds sanctified in the field of battle."

But if in resisting the expansion of Germany, we are fighting for the ideas realized in our own empire we can learn one lesson from her. We may well admire the ardour and self-sacrifice of her people for the cause they believe in. The temptation of the disciplined state may be to pride and cruelty. The danger to the free State is that its inhabitants will cease to make the efforts by which alone their freedom is ensured. Yet the price of liberty no less than of empire is sacrifice and suffering. Indolence and an unreadiness to make sacrifices undermined the strength both of Greece and Rome. It has gone some way to endanger the British Empire. For twenty years we have known the danger that threatened us yet we have taken no step to remodel our institutions, nor to consider how best the Empire can create and concentrate in the

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decisive spot the forces on which its existence depends. In resolving to fight the great struggle against autocracy and militarism to the bitter finish, whatever it may cost in men or money, let us also resolve to face, more thoroughly than we have in the past, what our stupendous responsibilities as guardians of a system which gives peace and the opportunity of self-development to one-quarter of the human race, entail. In this task we can exhibit something of the hero spirit of Germany, and something of the great-heartedness which counts no sacrifice too great, no cost too high, to carry on to the end the great political work which destiny has laid upon us. For we no less than the Germans have our destiny. No less than they we are meant to impress the imagination of the world, to establish an empire over the minds of men. But our empire is not one which needs blood and war and a mailed fist diplomacy to make its way. It is an empire of ideas, ideas forged in the long course of our history by Pym and Hampden, Cromwell, Chatham, Pitt, Wilberforce, Gladstone, Salisbury, defended by a not less noble band, Wolfe and Wellington, Nelson, Lawrence and Nicholson, who have risked or given their lives for the country where these ideas were born, and carried broadcast over the world by example and not the swords that great unknown army of men and women who, exiled in the scorching plains of India, or on the lonely outposts of fever-ridden dependencies, have steadfastly upheld for generations the reputation and the justice of the British name.

GERMANY AND THE PRUSSIAN SPIRIT

"And yet deliver thou, O Father Zeus, the Sons of the Achæans from under this cloud, and make clear sky above them, and grant to their eyes to see; that so, if it be thy will to slay them, thou slay them in the light."

Thus spake he, and Father Zeus looked down upon him in his sore travail. And forthwith he smote the mist, and drove away the murk from heaven; and the sun shone forth, and the whole face of the battle was made plain.

THE PRAYER OF AJAX IN THE BATTLE
OF THE SHIPS. ILLIAD, XVII, 645-650.

AN endeavour is made in the following pages to trace the modern history of the German Empire, to indicate the main ideas which have taken shape in its institutions, and to mark the causes which have brought it into conflict with its three great European neighbours, in particular Great Britain. The method is of necessity summary, and the conclusions rough. No pretence is made of an exhaustive inquiry into the ethical foundations of modern German Imperialism.

It was essential to Europe that the disunion and instability of the German States should be overcome by some effective system of political union; it may have been inevitable, when that union was achieved, that it should lead to a new disturbance in the European

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equilibrium. Such questions are incapable of answer. All that is suggested here is that the German Empire of to-day, so far from co-ordinating the older tendencies of German character and intellect, has taken rather the shape of a reaction against what was best and strongest in German culture, its idealism; that the political institutions of the Empire were framed too completely on the autocratic and militarist model to permit of adjustment to the growth of democratic ideas; that the generation bred and disciplined under those institutions has developed, as part of its training, a standard of national conduct and a belief in the national goal which were incompatible from the outset both with the British view of international relations and with the peace of the civilized world; and that the two Empires, British and German, have come in consequence to a life-and-death struggle which is, in part, a conflict of interests but also, above and beyond all questions of interest, a heroic conflict of ideals.

I. GERMAN IDEALISM

THE name of Germany calls to mind two dissimilar human types. The one, sanctioned by a moribund tradition, is a genial wool-gathering professor in a formidable pair of spectacles, untidy of habit and far from athletic in form, the dedicated slave rather than the possessor of several large notebooks and a collecting-box. We have all laughed at that German professor in our infancy. Like John Bull or Uncle Sam, he is an established type. He was the only kind of German who figured in boys' books of adventure, at any rate till the end of the nineteenth century, and we gave him our affectionate patronage—the sort of patronage a public-school boy in the first eleven would bestow upon an amiable bookworm.

The other type of German is in spirit the absolute

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antithesis of the professor, though he conceals a strong touch of the professor under his uniform. He is a military figure of imposing build, helmeted, cuirassed and spurred, with upturned moustaches, a commanding eye, and a powerful arm encased in mail. This warrior type has come into existence, so far as the British public is concerned, only during the present century. We have regarded it with increasing dislike and anxiety, as a somewhat uncivilized *parvenu* in the comity of nations. It has, to our eye, an outline of primitive and almost brutal suggestion, like the rudimentary masses favoured by modern German architecture. Contrasted with the public school type which we prefer, it calls to mind a strong and clever, but ungentlemanly, bully.

Like John Bull or Uncle Sam, these two German figures are, of course, merely the rough types of popular caricature; but like all such types they represent an instinctive popular judgment which is seldom very much astray. In the case of Germany, as in other cases, the two figures are founded on broad truth, and they epitomize together in a very significant way the origin and character of the new German Empire. The transformation of the one into the other is one of the most remarkable events in history. Even so Faust, calling in a dangerous doctor for the trouble of his soul, abandons his study, his books, his tubes and retorts, his doctor's gown, in order to live the worldly life he has hitherto despised.

Since Europe emerged from the Reformation and entered the era of modern history, German union has always been a living cause with the great majority of the German peoples, but the ideals aspired to through union have undergone a fundamental change in the last half-century. In the new blossoming of European mind which came with the Renaissance the German share was intellectual rather than practical. Coleridge's phrase, "fundamental brainwork," describes better than any other the special bent of the German temperament. Its first great manifestation was in religion.

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Then, after a period of slow or interrupted growth, it showed its power once more in philosophy, in science, in history, in scholarship; and, combined with a noble strain of imagination and romance, it produced the greatest musicians of all time and some of the greatest writers and poets. The traditional words of Hans Sachs's "Hymn Before the Dawn"—chosen by Wagner with the insight of genius as the keynote of the culminating scene in that most German of all German works, *The Master Singers of Nuremberg*—bring with them the very atmosphere of the Germany which emerged in little centres of intense life from the shadows of the mediaeval Empire.

"Awake, 'tis close on dawn of day.
I hear amid the budding may
A nightingale full-hearted sing;
O'er hill and dale her voice doth ring.
The Night sinks downward in the west,
From eastward, lo, the Morning makes;
And Dawn in flaming splendour dress'd
Athwart the shadows on us breaks."

The strange passion of romance in the simple old German words will not bear translation; but even the English version, doggerel though it be, may perhaps suggest the touch of symbolism, the visionary aspiration towards a daylight for the eyes of the mind, which lies behind the original. It is significant that Wagner, finishing *The Master Singers* in the decade which saw the German Empire made, begs his countrymen, in Hans Sachs's final exhortation to the citizens of Nuremberg, to forswear foreign and princely influences and hold by the German masters of art.

"The Holy Roman Empire, let it part.
Our strength and stay is Holy German Art."

That, in even looser doggerel, is the last couplet of Hans Sachs's address. To an English audience the sentiment—

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Art for Empire!—would seem merely ridiculous. To a German audience, even in 1914, it is a natural tribute to the German genius and a stirring reminder of Germany's creative past.

There was nothing of this visionary temper in Elizabethan or in Puritan England any more than in the Great Britain of to-day. With all her poetic and literary achievement, England from the Reformation onwards was turning her chief forces into the practical business of extending and defending her liberties—a severely political object which led step by step to worldwide power. Milton abandoned literature in order to slave as Cromwell's secretary, and returned to poetry only in his old age. There was no "fundamental brainwork" in the methods which established English freedom and British power. Englishmen have always seemed to settle their political affairs, like their legal code, by a kind of rough instinct, meeting practical necessities by practical expedients as they arose. In due course the sum of these practical expedients became the British Constitution and the British Empire—a process which suggests to many historians, especially the German ones, that we achieved our greatness partly by fraud and partly by mistake, and that we are entirely unworthy of it, now as in the past.

This political and practical capacity Germans, with their other great gifts, unfortunately lacked. They have always been creatures of intellect rather than of instinct. Their contribution to European progress, so great in religious and philosophical thought, and in the pursuit of knowledge, has been weak in the practical business of statesmanship. The Reformation—in England very largely a political movement, ending (like everything English) in compromise—was in Germany a profound convulsion of soul, leading to a new intellectual life. Dr Busch, Bismarck's Boswell, when he wishes, in the preface to his diaries, to fix his master's greatness once and for all, says: "In a hundred years the memory of Prince Bismarck will take a place in the minds of our people next to that occupied by the *Wittenberg doctor*." Bismarck and

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Martin Luther—a strange conjunction! In England we do not put our thinkers in the same category as our men of affairs, nor, if we did, could we hit upon such a contrast of types. Indeed, our greatest men all seem, like Cardinal Wolsey, to be a mixture of the two.

It was due to these great differences of character and temperament that, while England was building up her Empire, Germany, divided into many States, was making little impression upon the world except in the things of the mind. The world's debt to Germany for thought and knowledge is inestimable; for political science it is small. Germany was a land of dreams. Her peoples from the earliest times had been children of romance, and they became, not only pioneers of thought, but the unequalled masters of certain forms of imaginative art. Of that the mere names of their composers and poets—Grimm and Humperdinck, Schubert and Schumann, Schiller, Heine, Weber, Brahms—are sufficient testimony. Bach, Mozart, Beethoven, Wagner—no other people has had such genius in the world of blended thought and emotion out of which music springs; and no other people has shown so constantly the power of laborious craftsmanship which musical creation demands. Goethe, who represented in his single work all three of the great movements of German mind—in science, in thought and in romance—was typical of German capacity, and in his attitude to the world a typical German of his own time.

Voltaire's saying that while France ruled the land, and England the sea, Germany ruled the clouds, was therefore profoundly true of the Germany of his day. It was the peculiar feature of the Germany which Napoleon overran that her greatest men were either indifferent, like Goethe, to the violent political upheavals of the period, or else, like Beethoven, moved rather by the abstract ideas evolved in revolutionary France than by any German patriotism. The ideal of that Germany was art and culture, not patriotism. Its vital forces were turned to the production, not of political

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efficiency or military leadership, but of Kant's *Critique of Pure Reason*, Beethoven's *Ninth Symphony*, and Goethe's *Faust*.

This was the Germany on which the figure of the genial professor, familiar to caricature, was founded. To it the whole world owes, and has always paid, a steady tribute of affection and gratitude.

II. THE PRUSSIAN AUTOCRACY

THAT Germany, however, for all its power and nobility of mind, was efficient only in the realms of art and knowledge; in politics it was a prey to internal disunion and foreign intrigue. Bismarck, like Wagner, saw in foreign and princely influences the bane of German life, but he judged these influences as a statesman and had other remedies to suggest than devotion to German Art. Bismarck, the mailed warrior and autocrat, Wagner, the poet and revolutionary, are striking examples of the contrast between the practical German mind and the visionary one. Whence came the tradition seized, developed and fixed by Bismarck—the tradition of order, efficiency and positive material aims?

Side by side with the Germany of thought and dreams there had long been another Germany, the peculiar possession of the kingdom of Prussia, orderly, practical and positive, demanding only a vigorous lead and iron discipline. Europe was first forced to recognize this Germany by Frederick the Great, whose political and military genius raised the Prussia of his day to the rank of a European Power. The same Germany revealed itself, again under Prussian auspices, in the organization which brought about the War of Liberation and strove in company with England for Napoleon's downfall. It won the battle of Leipzig, it took part at Waterloo. And it was this Prussian Germany which rose again, in the second half of the nineteenth century,

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under Bismarck, Moltke and Roon, overcoming another Napoleon and completing in that process the great structure of the German Empire. Hence comes the warrior type which has gradually ousted the wool-gathering professor of tradition from his place in the public mind.

Bismarck's *Reflections and Reminiscences* have revealed the secrets of the Prussian laboratory in which the project of the modern German Empire was worked out. It was not the creation of a people or of a Parliamentary system, giving gradual and tentative expression to popular ideas and aims, but rather the work of a few great men, who imposed their ideas and aims upon their fellow-countrymen. The desire for union was already indeed widespread when Bismarck came to power, but in the peculiar conditions of the German States it had always gone to waste; and there was cogent reason to believe that for the people and their princes the only road to political efficiency among the nations of the world lay in acceptance of a Prussian hegemony, which was itself the product of autocratic power. "The Gordian knot of German circumstance," wrote Bismarck in his later years,* "... could only be cut by the sword; it came to this, that the King of Prussia, conscious or unconscious, and with him the Prussian Army, must be gained for the national cause; whether from the 'Borussian' point of view one regarded the hegemony of Prussia, or from the national point of view the unification of Germany, as the main object; *both aims were co-extensive.*" The creative impulse came, in fact, from an autocratic and militarist system in the hands of one dominating individual. In Prussia this system was traditional, and fully in keeping with the Prussian character; Bismarck merely re-established it at a moment when it was lapsing into weakness and decay. But he had to use sheer force to impose it upon Germany as a whole, first by war against the rival dynasty of the Habsburgs in Austria, and afterwards by leading

* *Reflections and Reminiscences* of Prince Bismarck (English edition), vol. I, p. 316.

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the German States to the overthrow of the Third Empire in France. The famous phrase in which he foreshadowed these methods on his accession to power in 1862 has become a household word. "The great questions are to be settled," he said in the Prussian Diet in 1862, "not by speeches and majority resolutions, but by blood and iron." The majority in the Prussian Diet refused, in point of fact, to support him; and Bismarck applied his principles at once by framing military budgets and creating a great military machine autocratically under the seal of the King of Prussia. After the war of 1866 against Austria he triumphantly passed an Act of Indemnity. The King objected to the measure, on the ground that it seemed an admission of constitutional impropriety in the course taken by himself and his Minister. Bismarck overcame his objections by showing that Parliament would be confessing its own previous errors, not attributing errors to the King.*

The episode was thoroughly characteristic of the Prussian system, which, as Bismarck held, required this sort of treatment to restore it to efficiency. He had Prussian history on his side. Frederick the Great's Prussia was the creation of drill and discipline, not merely in military matters, but in every department of national life. It was built up by his victories; it was organized by his inordinately paternal administration; it crumbled and fell an easy prey to foreign invasion when his directing hand was withdrawn. The Prussia which defeated Napoleon at Leipzig was likewise the creation of a wonderful administrative machine, imposed upon it by the genius of two or three great men; and it likewise lost power for many years when Napoleon had been overthrown and the pressure of strong leadership relaxed. Bismarck knew his fellow-Prussians, and they responded to his methods with the historic energy of Prussia under discipline. The ideal type of Prussian, Bismarck once observed, "goes to meet certain death in the service with the simple words, 'At your orders,' but, if he

* *Reflections and Reminiscences*, vol. II, pp. 76-7.

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has to act on his own responsibility, dreads the criticism of his superior officer or of the world more than death, even to the extent of allowing his energy and correct judgement to be impaired by the fear of blame and reproof." Such was the temperament of the whole country.

Bismarck shaped his course accordingly, first with Prussia as his field of action, and then with the whole German Union. The spirit in which he set to work is well illustrated by his interview with the King when he accepted the position of Minister-President. The King was proposing to abdicate rather than grant the constitution which was demanded of him by the Diet. Bismarck persuaded him at once to tear the paper up. "I succeeded in convincing him," he writes,* "that, so far as he was concerned, it was not a question of Liberal or Conservative of this or that shade, but rather of monarchical rule or parliamentary government, and that the latter must be avoided at all costs, if even by a period of dictatorship. I said: 'In this situation I shall, even if your Majesty command me to do things which I do not consider right, tell you my opinion quite openly; but if you finally persist in yours, I will rather perish with the King than forsake your Majesty in the contest with parliamentary government.'"

The King responded to these precepts, veiled as assurances, when Bismarck was with him, but he suffered relapses after conversations with the Queen, who had weak constitutional leanings. Such was the effect of a journey to Baden-Baden, soon after this first interview, where the King joined the Queen for her birthday. Bismarck went in pursuit, and "waited for him in the still unfinished railway station, filled with third-class travellers and workmen, seated in the dark on an overturned wheelbarrow." He finally ran the King to earth "by himself in an ordinary first-class carriage," and expounded his views on the way back to Berlin. (He had a weakness for conducting critical conversations with his Sovereign in coupé railway-carriages,

**Reflections and Reminiscences*, vol. I, p. 293.

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presumably because he was secure there against the incursion of "Court influences.") After a time the King interrupted with the words: "I can perfectly well see where all this will end. Over there, in front of the Opera House, under my windows, they will cut off your head, and mine a little afterwards." Bismarck was unperturbed. "When he was silent"—he records in his Memoirs—"I answered with the short remark, '*Et après, Sire?*' '*Après*, indeed; we shall be dead,' answered the King. 'Yes,' I continued, 'then we shall be dead; but we must all die sooner or later, and can we perish more honourably? . . . Your Majesty must not think of Louis XVI; he lived and died in a condition of mental weakness, and does not present a heroic figure in history. Charles I, on the other hand, will always remain a noble historical character, for after drawing his sword for his rights and losing the battle, he did not hesitate to confirm his royal intent with his blood.'"* This seems to have cheered the King, and, fortunately or unfortunately, his anxieties proved groundless. Prussia at the great cross-roads, two hundred years after England, took the other path decisively. Her intellectuals, and the Liberalism of 1848, were alike swept out of her way.

The combined systems of militarism and autocracy which Bismarck consolidated in Prussia are, in fact, responsible, not merely for the unification of Germany under Prussian hegemony, but for the main significance of the German Empire in the modern world. Bismarck saw no other road to German unity than the defeat of German particularism and of foreign influence by force of arms. In spite of the common German sentiment which pervaded the States as a vague ideal, the German felt his provincial allegiance much more strongly than his common German nationality. "It is as a Prussian, a Hanoverian, a Wurtemberger, a Bavarian, or a Hessian, rather than as a German, that he is disposed to give unequivocal proof of patriotism; and in the lower orders and the parliamentary groups it will be long

**Reflections and Reminiscences*, vol. I, pp. 309-11.

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before it is otherwise."* That was Bismarck's opinion as late as 1891, twenty years after the proclamation of the Empire; the case was naturally much worse in the 'sixties. The particularism of the States was centred upon the local Courts, and these Courts were always struggling to maintain their dignity and interests against each other by the support of foreign Powers. It seemed impossible to give practical expression to the ideal of union through the Diet at Frankfurt or by any other popular or parliamentary means. On the other hand, Prussia "could no longer wear unaided on its long narrow figure the panoply which Germany required for its security; that must be equally distributed over all the German peoples." Repeating his famous phrase to the Diet in his Memoirs, Bismarck reiterates in old age his belief that "we could get no nearer the goal by speeches, associations, decisions of majorities; we should be unable to avoid a serious contest, which could only be settled by blood and iron."† In other words, the realization of German unity demanded that the militarism and autocracy of the Prussian system should be fastened upon the rest of Germany by the sword. Blood and iron were thrown into the scales, first against the other great German dynasty, the Habsburgs, and then against the foreign influence of the Third French Empire. Such methods were utterly out of character with Goethe's Germany, the Germany of thought and dreams; but they were natural to the Prussian system, and that system prevailed.

King Frederick William the Fourth of Prussia was elected "hereditary Emperor of the Germans" in 1849. He refused the honour, which would have been quite nominal, on the ground that he could not accept it from the people, but only from his peers. In 1871 King William I crowned himself German Emperor, not on German soil and amid the German people, but surrounded by his army in the conquered capital of a foreign Power. Bismarck, who

* *Reflections and Reminiscences*, vol. I, p. 317.

† *Ibid.*, vol. I, pp. 309-10.

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had welded the Empire upon the anvil of war, ruled it for twenty years as a practically omnipotent Chancellor. He yielded up his control only to another autocrat, the present Emperor, who declared in the heat of his rupture with the great Chancellor that "there is only one master of the nation, and that is I, and I will not abide any other." The sanction of the system thus expressed was the army, which had built the Empire up. The Prussian ideal was riveted upon the German people as the necessary condition of German union, and under the modern Empire policy and people alike have been shaped by Prussian rulers in the rigid Prussian mould.

III. THE STRONG WINE OF VICTORY

HISTORY, then—for English eyes, at least—seems to present two Germanies, one of which has conquered and enslaved the other. The metaphor is, perhaps, too crude. A truer one might picture the older Germany of dreams as a broad and placid river, fed by the clouds and flowing amid vine-clad slopes and legendary rocks from almost forgotten mountains, like the German Rhine; while Prussia would be a rapid glacier-torrent, which has carried the colour and temperature of ice into the warm bed of the older stream.

The Germany of the twentieth century, however, is not two but one. The currents have mingled their waters, and the Prussian torrent now has the depth and volume of the whole main-stream of German thought.

It is true, of course, that the Empire is a union of twenty-six States, and that forty years of association under the Empire has not obliterated the differences of many centuries—particularly that between the harder Germans of the North and East, and the softer Germans of the South and West. These States live their own lives in many important respects; it is, indeed, one of the strengths of

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modern Germany that it contains so many flourishing centres of provincial activity. It combines, for instance, the most rigid autocracies with fairly advanced representative systems, and ideas are often expressed with weight in provincial assemblies which consort ill with the absolute militarist policy of united Germany.

Nothing is more difficult for foreign observers than to estimate the strength of cross-currents such as these. The Germans are notoriously incapable of interpreting such factors in the system of the British Empire, which they have long believed to be on the point of disruption; and it is better that Englishmen should venture no opinions on the disruptive elements in German society. What is absolutely certain is that neither provincial particularism nor political differences have greatly affected the development of German policy since 1871 to 1914. The lead has been Prussian throughout, and Germany as a whole has followed that lead with characteristic thoroughness. Never has a national policy been so laboriously interpreted and expounded and justified. In the realm of theory it has been set forth as a new revelation, of paramount importance to the world. In the realm of action its necessities have been worked out to the minutest detail, and it has been equipped with every possible weapon in the armoury of modern States. Religion, science and philosophy have been called in aid to moralize and spread its power. German thinkers and historians live no longer in the clouds. They are the advance guard of the German armies and fleets, preaching conquest and dominion as the highest and most worthy of human creeds.

There is in all this movement the violence of a great reaction of mind. Bismarck's achievements, carried through by an amazing combination of consummate diplomacy and ruthless force, captured and absorbed his fellow-countrymen by sheer success. It has been said of the German people by one of themselves that ever since 1871 they have been *siegestrunken*, drunk with victory. The saying is, perhaps, unjust in the cruder sense, for their belief in their own

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invincibility has often been shot with moments of panic regarding English or Russian aims; but it is absolutely true in the sense that Bismarck's victorious career set the greater part of the nation in revolt against the visionary, intellectual, ineffectual traditions of its past and turned its whole energy into the cult of positive, material aims. Philosophers, historians, professors, teachers of every grade, writers of every class—every influence, in fact, which could shape opinion amongst the adult population and school the mind of the young, has been concentrated upon the national cause, preaching it as the world-wide dominance of German culture to be achieved by the absolute dominance of German arms. "All which other nations attained in centuries of natural development—political union, colonial possessions, naval power, international trade—was denied to our nation until quite recently. What we now wish to attain must be *fought for*, and won, against a superior force of hostile interests and Powers."* That is the utterance of a German soldier, but it represents the creed which is inculcated in every German university and school.

It is too late now to question, as many English observers of Germany in the past ten years have sought to do, the immense influence of this teaching upon the German nation. Every great movement in Germany since Napoleonic times has been preceded by just such a campaign in German lecture-rooms. It is part of the German people's inheritance, and also of its strength, that it responds with enthusiasm to what Englishmen might regard as literary and academic ideas. The aims of the present have thus been grafted upon the grandeurs of the past in such a way that the great procession of heroic figures in the mediaeval Empire, and the splendid pioneers of German intellect in the period between the mediaeval Empire and the modern one, are blended in the visions of the youth of to-day. The race, he sees, was first great in action and afterwards great in thought; both these greatnesses, he ardently believes,

* *Germany and the Next War*. By General Bernhardt, p. 81.

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are to be combined in its future career. Goethe's Germany and Fichte's Germany are transfused and changed. Berlin has conquered Weimar, and Weimar has transformed Berlin. For all the provincial differences of the German people, the cult of forcible expansion is their central and dominating ideal. In the new generation since 1870 it represents a mass of vital energy which has all flowed steadily into the Prussian mould. It is the real driving-force in German life, the secret of the tremendous organization of warlike power with which the British Empire is struggling now.

There is thus a fundamental difference of character between the British and the German Empires, which largely explains the difference, now so palpable, between their methods and aims. The German Empire was raised like a lighthouse, the work of less than a decade, the plan of a single great mind. The British Empire has grown like a coral-island, without a plan. The character of the German Empire was fixed by the man who made it, and by the State out of which he came. The character of the British Empire has been shaped by the common strivings and instincts of generations of Englishmen. It is like the English Common Law, built up gradually by practical experience, so that every principle is merely a generalization from common-sense judgments in particular instances and represents the average feeling of average Englishmen all down the centuries. Compared with this the German system is a code of law, worked out on principles which a few despotic law-givers have laid down.

The English mind responds instinctively to the claim of loyalty from King and Commonwealth, but uncontrolled authority is repugnant to it. The democratic sense of personal independence is as necessary to all British peoples as the air which they breathe. It is, in fact, to their corporate political existence exactly what air is to their lungs. A British citizen must feel that he has an equal voice with every other citizen in the government which he obeys. With every other citizen he can say *l'état, c'est moi*.

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Without this sanction no British Government can exist. In the German system, as framed by its Prussian law-givers, precisely the reverse is the case. The State is something apart from the mind and conscience of the average citizen; he must simply obey it for his own good and that of the Fatherland. Criticism is indeed permitted to him, and organs are provided in which criticism may be heard; but none of these factors modify the fundamental principle of authority on which the State is based. The nation, as one of the most careful and sympathetic writers on Germany has recently pointed out, is "to all intents and purposes, outside the government of the country."* The habit of submission to its rulers is in its blood.

The Prussian deference to authority, the Prussian capacity for discipline, the Prussian concentration on material aims—these are the leading principles of the German Empire-State. Foreign as they were in some respects to the other peoples of Germany, they have been accepted because of their success. The whole nation reacted against its past after the victories of 1866 and 1870, and the potent organization of the State seized upon that reaction and stamped its character on the new generation which has since arisen. There can be no question of the fundamental unity of the people in the present war. The moment has come which they have been taught from their cradles to expect, and they believe their cause to be just. Democracy is the higher system and it will win; but it fights at a great disadvantage against such a conscious national machine as now obeys the Head of the Prussian hegemony.

IV. BISMARCK'S LEGACY

THE policy of "blood and iron" had a purpose and a justification in Bismarck's first years as Minister-President which disappeared entirely after the proclamation of the Empire. Bismarck, as the preceding section has shown,

* *The Evolution of Modern Germany*. By W. H. Dawson, p. 430.

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conceived himself to be dealing with a Germany so weak in purpose and disunited in policy that only the strong hand of Prussia, imposing union by the sword, could rescue it from the failures and disasters of the past two centuries. He had to deal, first, with the historic rivalry of the German dynasties, and afterwards with the disintegrating policy of foreign Powers, amongst which the Third French Empire was much the most dangerous. These two main objects justified in his mind the war of 1866 against Austria and the war of 1870 against Napoleon the Third. Regarded from German premises the case is very strong, and it should not be confused by criticism of Bismarck's method—his cynicism, his duplicity, his ruthless use of force. These characteristics founded indeed a sinister tradition for the Empire which he made, but they do not vitally affect the moral argument for his main policy from 1862 to 1871. The wars which he then waged he could not unjustly regard as wars of liberation, inevitable if freedom and independence were ever to be permanently secured for the central European system of German States.

There is, on the other hand, every reason for questioning the merits of the constitutional structure which those wars were waged to raise. The case against the German Empire, even as Bismarck conceived it, is something much broader and deeper than the tradition of cynical diplomacy which he bequeathed to it. Western civilization—if, as we of the British Empire believe, the cause of civilization is bound up with that of representative government—had much to dread in certain features of the constitutional system which Prussia imposed upon united Germany, and Bismarck himself was fully conscious of them. On the one hand, the Prussian idea of government, as applied to the German Empire, was an almost complete negation of the constitutional and democratic tendencies of the age—a system bound to lead to internal instability and unrest. On the other hand, it gave untrammelled authority to an enormous military machine, the natural tendency of which towards aggression

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and adventure was sure to be enhanced by fear of political change within. Bismarck's own Memoirs contain many references of weight to the double menace which this system involved. His reflections on universal suffrage, and the fact that he adopted it for the Imperial Lower House, show him perfectly alive to the power of the democratic movement, although, in theory, he had little sympathy with it. His allusions to the army and the military chiefs display an even keener appreciation of their inherent tendencies, which he loved but strove to restrain. He built as best he could, but the equilibrium of his structure required for its maintenance and extension hands no less skilful than his own. Before he died, he saw it passing into hands of whose competence he was far from sure.

Not only military equipment [he writes in old age] but also a correct political eye will be required to guide the German ship of state through the currents of coalitions to which we are exposed in consequence of our geographical position and our previous history. . . . Former rulers looked more to the capacity than the obedience of their advisers; if obedience alone is the criterion, then demands will be made on the general ability of the monarch which even Frederick the Great himself would not satisfy, although in his time politics both in war and peace were less difficult than they are to-day.*

The White Paper summarized in another article is sufficient evidence of the extent to which German diplomacy, under its present inspiration, has lost the "correct political eye"; and though Bismarck warned his country against that danger, his statesmanship must take a great part of the blame. It is the fault of all autocratic work like that of Bismarck or Napoleon that it depends on a succession of Bismarcks and Napoleons for permanence. Bismarck's Empire—for it is his—has at last exhibited the defects of its origin for all the world to see. His statesmanship cannot be absolved of responsibility for the events of 1914; but he himself was at least aware of the danger and concentrated with untiring resource upon the task of averting it so long as he had power.

* *Reflections and Reminiscences*, vol. II, p. 287.

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In no department of his work was this more constantly apparent than in his foreign policy. The history of his diplomacy is long and tortuous; but a very few quotations from his records will serve to show how entirely contrary to his teaching is the policy which the Empire is following to-day.

Like Frederick the Great, his ablest predecessor, Bismarck had the priceless instinct of when and where to stop. When Frederick's advisers urged him to proceed from Prussian consolidation to the Imperial Crown of Germany, he answered, "No, that would be too awkward a burden." Bismarck likewise was cautious and practical in his ambition. He proves it constantly in his own rise to power, and the same sagacity afterwards informs his policy. When, for instance, in the early weeks of the campaign of 1870, the idea of annexing Alsace and Lorraine occurs to him, the primary reason is, not conquest, but consolidation. He says with truth that through those provinces in the main France has carried on her traditional harrying of Germany. The great fortresses of Metz and Strassburg are necessary, he contends, as bulwarks against French aggression. And Busch, his confidential scribe, is instructed to set out the following statement of his opinions:

The danger does not lie in Bonapartism, although the latter must rely chiefly upon Chauvinist sentiment. It consists in *the incurable arrogance of that portion of the French people which gives the tone to the whole country*. This trait in the French national character, which will guide the policy of every dynasty, whatever name it may bear and even of a republic, will constantly lead to encroachments upon peaceful neighbours. Our victories, to bear fruit, must lead to an actual improvement of our frontier defences against this restless neighbour. Whoever wishes to see the diminution of military burdens in Europe, or desires such a peace as would permit thereof, must look not to moral but to material guarantees as a solid and permanent barrier against the French lust of conquest; in other words, it should in future be made as difficult as possible for France to invade South Germany with a comparatively small force, *and ever in peace to compel the South Germans, through the apprehension of such attack, to be always reckoning with the French Government*. Our present task is to

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secure South Germany by providing it with a defensible frontier. To fulfil that task is to liberate Germany, that is, to complete the work of the war of liberation in 1813 and 1814.*

The French Government might well adopt Bismarck's own words as a statement of its present case against Germany.

Bismarck was, of course, a master of statement suited to European consumption, but the fundamental justice of his argument—if not the entire sincerity of its expression—is proved by his often reiterated views upon the dangers of the German situation between France and Russia. A joint attack by those two Powers upon the eastern and western frontiers was the contingency which he laboured without ceasing to make impossible; but given that security, he had no mind for policies of aggrandisement directed against either of them. The alliance with Austria-Hungary and with Italy was not, moreover, in his opinion a sufficient guarantee against the dreaded contingency; he reinforced it therefore with the famous "insurance treaty" with Russia. A conversation on Russia in 1888, towards the end of his days as Chancellor, is recorded by Busch, which makes his views upon the folly of war against France and Russia abundantly plain.

It is not yet certain [he says to Busch in that year] that Russia would take up arms against us, if we were again to be attacked by the French; but if the Russians were to declare war upon us, the French would certainly join them immediately, and after all, in such a war, we should not be so very certain to win, while it would be a great misfortune even if it were victorious, as in any case we should lose a great deal of blood and treasure, and also suffer considerable indirect damage through the interruption of work and trade, and we should never be able to take anything from the French or Russians that would compensate us for our losses. It is only the English who would benefit by it.†

The same idea is constantly recurring in his Memoirs.

* *Bismarck: Some Secret Pages in His History*. By Dr Moritz Busch, vol. I, p. 124.

† *Busch*, vol. III, p. 182.

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"Count Shuvaloff," he observes in the course of his chapter on the Triple Alliance, "was perfectly right when he said that the idea of coalitions gave me nightmares." That nightmare was, in fact, one of his chief oppressions when he resigned the reins of policy to the present Emperor.

The name he gave himself of "honest broker" among the European Powers was, therefore, no misnomer so far as his intentions were concerned. "Germany," he writes in 1891, "is perhaps the single Great Power in Europe which is not tempted by any objects which can only be attained by a successful war. It is our interest to maintain peace, while without exception our continental neighbours have wishes, either secret or officially avowed, which cannot be fulfilled except by war. We must direct our policy in accordance with these facts—that is, we must do our best to prevent war or to limit it." Whatever kind of broker he may have been, he was at least, on solid grounds of self-interest, not a predatory one.

On the other hand, if judged by his methods, his "honesty" is hard to sustain. There was scarcely any form of deceit and subterfuge from which he seems to have shrunk at any time in order to gain his ends. Busch, his "little archer," details with relish the many poisoned arrows which he launched in the Press at Bismarck's command. A great man, as put on record by his valet, is doubtless at a disadvantage for which allowances should be made; but the most famous instance of his unscrupulousness, the doctoring of the Ems telegram and the sending of it to the Press in the mutilated form, is recorded without apology in the Memoirs by his own hand. It was a process of "editing" which, as Moltke said at the time, turned a note of parley into a note of defiance, and it led directly to the French declaration of war. However inevitable that war may have been, however justifiable its purpose on the German side, no English statesman's reputation could have survived the exposure of such an abuse of international canons.

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Bismarck, however, and his two accomplices in the deceit, Moltke and Roon, had absolutely no qualms. The three were dining together, in low spirits, when the telegram arrived, and Bismarck proceeded to convert it from a harmless notification into "a red rag to the Gallic bull." He expounded the project to his friends, and instantly produced in them a joyous mood, the "liveliness" of which surprised him.

They had suddenly recovered their pleasure in eating and drinking, and spoke in a more cheerful vein. Roon said: "*Our God of old lives still* and will not let us perish in disgrace." Moltke so far relinquished his passive equanimity that, glancing up joyously towards the ceiling and abandoning his usual punctiliousness of speech, he smote his hand upon his breast and said: "If I may but live to lead our armies in such a war, then the devil may come directly afterwards and fetch away my old carcass."*

It is an engaging picture.

Unhappily the unscrupulousness of Bismarck's diplomacy has left a deeper impression upon the Wilhelmstrasse than its sagacity. While the lines of his policy have been abandoned, his methods have been retained and developed to a point which hardly requires more illustration than the recent official publication of the correspondence between the German Ambassador in London and his Government. In this a telegram of vital importance is given without the correction by which the Ambassador immediately followed it up, explaining that the telegram in question was the result of a misunderstanding and that the error was his own, not the British Government's. On the strength of this confusion and suppression the world is invited to condemn Great Britain's perfidy—a curious sequel to Bismarck's action in publishing the draft Belgian treaty in 1870 in order to establish the perfidy of France.

Bismarck never seems to have regretted this aspect of his diplomatic teaching, but he always refused to admit in his later years that a statesman would be justified in forcing a

* *Reflections and Reminiscences*, vol. II, p. 100.

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war which he regarded as inevitable. The passage in the Memoirs in which he records this opinion is of striking interest now, for it shows his apprehension of militarist influence in the German system when once his controlling hand was withdrawn. He is discussing Moltke's "love of combat," and turns to the question whether diplomacy can ever be justified in deliberately causing war.

I have always opposed the theory which says "yes"; not only at the Luxemburg period, but likewise subsequently for twenty years, *in the conviction that even victorious wars cannot be justified unless they are forced upon one, and that one cannot see the cards of Providence far enough ahead to anticipate historical development according to one's own calculation.* It is natural that in the staff of the army not only younger active officers, but likewise experienced strategists, should feel the need of turning to account the efficiency of the troops led by them and their own capacity to lead, and of making them prominent in history. It would be a matter of regret if this effect of the military spirit did not exist in the army; the task of keeping its results within such limits as the nation's need of peace can justly claim is the duty of the political, not the military heads, of the State. That at the time of the Luxemburg question, during the crisis of 1878, invented by Gortchakoff and France, and even down to the most recent times, the staff and its leaders have allowed themselves to be led astray and to endanger peace, lies in the very spirit of the institution, which I would not forego. It only becomes dangerous under a monarch whose policy lacks sense of proportion and power to resist one-sided and constitutionally unjustifiable influences.

The centenary of Bismarck's birth was to be celebrated in Germany with becoming reverence next year. With all the homage they have paid him, it is strange to reflect how far his countrymen have travelled from the purpose and principle of his life's work.

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V. BUREAUCRACY AND MILITARISM

BISMARCK'S cult of power, his disbelief in all but material forces, his cynicism, his lack of scruple, his brutality—these things indeed the German people have taken to their hearts and exalted like a religion. But his practical vision of a "satiated" Germany, in peace with her neighbours and content to guard the greatness which he had given her—that has been thrown to the winds for new ambitions which could only be advanced by constant aggression and, if need were, war.

Bismarck's German policy depended on two conditions for success. It was essential on the one hand that the constitutional system of the Empire should provide some adequate means of expression for the main body of public opinion in internal politics. Failing that, the army and the bureaucracy were bound to exercise an absolutely decisive influence on national policy, and those two bodies would only be irritated into antagonism and dangerous unrest by the irresponsible criticism of the champions of popular right. It was equally essential, on the other hand, that the necessary economic expansion of the country should be pursued by the ordinary methods of trade competition, not by a State policy involving menace and aggression against other Powers.

Neither condition has been fulfilled.

The Germany of 1870-1914 has been a Federation in which one undemocratic State has been practically omnipotent. Prussian domination has been assured by the unlimited powers of the King-Emperor, by the complete control exercised by Prussia over the Federal Council (which governs all legislation), and by the increasing sense, even in the southern States, of the material and military advantages of leaving things as they are. The Parliamentary system is an absurdity. The Reichstag is elected on an

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ultra-democratic suffrage; if the distribution of seats were not grotesquely anomalous, it would be overwhelmingly Socialist. The result is that it looks revolutionary, while it is, in fact, impotent. Ministers are not responsible to it, but are merely heads of departments. In practice, therefore, Reichstag Socialism—though in itself of a very harmless Whig character—helps reaction by presenting a terrible picture of the alternative to military and bureaucratic control. Meanwhile Prussia, which is two-thirds of Germany, has a State Parliament elected on an ancient plutocratic franchise, which makes the Agrarian and Clerical interests absolutely supreme. This solid block of interests is the very basis of the Prussian system and of the Hohenzollern dynasty, and it has been driven more and more into the arms of militarism by fear of the political revolution which its connection with the Imperial system seems to threaten.

This ill-balanced constitution was patched up in a hurry in 1870-1. It was not shaped, like British institutions, in accordance with long and proved experience of popular feeling and administrative necessities. On the contrary, it was devised by one controlling mind, which framed it to suit its own methods of government and views of national policy. Bismarck could play off the military machine, the bureaucracy and the Parliaments against each other to suit his notions of immediate expediency. The constitution was an instrument built for a great *virtuoso*, and it could not be altered when conditions changed and the great *virtuoso* had gone. All the internal crises of recent years have been vehement assaults upon the constitution, but these assaults have been powerless; partly because of the strength of the Prussian governing forces and traditions, backed by the whole landed interest; partly because of the feebleness of all parliamentary parties, which have no tradition except to be the tools of Ministers; and partly because the only real forces of opposition have been driven into the extreme posture of enemies of the State.

German opinion has therefore been unable to develop—

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and much less, to express itself—on any but military, materialist and megalomaniac lines. These aspirations it could find most admirably represented in the army and the bureaucracy, which thus acquired a sanction like that of representative institutions elsewhere; all other aspirations were doomed to barrenness from birth.

It is useless to discuss what course a freer Germany might have taken; she has not, in fact, been free to take any other course. Political education has been impossible, and the great departments have practically done what they chose. The vast increases of expenditure for the Army and Navy have indeed been stage-managed in appropriate ways—after the Morocco crisis by Press campaigns against England and France, and after the Balkan wars by Press campaigns against Russia. But these campaigns were only needed to stir an opinion already brewed in the great vats of Prussian policy—the schools, the universities, the army, the bureaucratic machine. The German people do not make their Government; their Government makes them.

It was only another inevitable result of these constitutional and political conditions that the progress of economic expansion should take the character of a forcible campaign against all other nations. There was certainly no justification for that campaign in economic conditions, and the leaders of German thought have long abandoned the economic argument for the need of expansion by arms. There is, for instance, practically no emigration from Germany; on the contrary, she imports a great deal of foreign labour, and the density of her population to the square mile is less than half that of England or Belgium. Her economic necessities therefore resolve themselves into raw materials for her industries, markets for her manufactures, and reinforcements to her food-supply. These are not conditions compelling any choice between "world-dominion or downfall"—the alternatives which, since Bismarck's retirement, her leaders have long presented to her as absolutely exhaustive. In particular, they necessitate no rivalry with free-trade

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England, who not only opens her own market to Germany, but maintains equality for the commerce of all nations in her Dependencies and stands throughout the world for the policy of the "open door." If business Germany, bourgeois Germany and working-class Germany has thrown itself into the policy of the Prussian Government, the cause does not lie in economic pressure of any serious kind. It lies, on the contrary, in the simple fact that the German industrial and commercial classes bear the stamp, like everything else in Germany, of an omnipotent educational machine. The paternalism of Prussian administration comes naturally to them. Business is merely another section of the great State organism. It is fostered, organized and directed by the governing powers, and those who conduct it take their inspiration from the same alcoholic vats as the rest of the nation—from the schools, the universities, the army, the bureaucratic machine.

It is very difficult to see how Bismarck's Empire could have saved itself from this intoxication and followed the sober courses which he enjoined. The nation as it now is seems to be the inevitable product of the system which he bequeathed, and he may perhaps have grumbled the more in his old age from secret anxieties as to the durability of his handiwork. The key to practically everything intolerable in modern Germany is Prussian dominance. Bismarck fastened this Prussian autocracy, with its reactionary and militarist discipline, upon the whole German people, and gave it unassailable power over the national destiny. The German of all kinds is docile to authority; he accepts, indeed he demands, the guidance of the State. Professional Germany, scientific Germany, scholarly Germany, literary Germany, even artistic Germany—as witness modern German architecture—caught in the reaction from national inefficiency and dominated by the success of Prussian leadership in two wars, have taken the Prussian mould as completely as the army or the bureaucracy. Even social reform is no exception; as pursued in Germany, it is one

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of the most potent instruments of State control which Prussian policy has devised. Human beings who concentrate on one idea develop a terrible efficiency against their fellow-men. Germany as an Empire-State has done the same thing.

That acute American observer, Mr Price Collier, who spent a part of his youth in a German university and returned to study Germany only a year ago, has drawn a vivid picture of the externals of this national docility, and collected some astonishing instances of its results. It seems, for instance, from a recent volume by a distinguished German prison official, that one out of every twelve persons now living in Germany has been convicted of some offence. This is not that Germans are a criminal or disorderly people—far from it; it is merely that they are surrounded by regulations from their first walk outside a perambulator, or in one, to their graves. And “quite right, too,” says Mr Price Collier; they go to pieces, like Bismarck’s Prussian lieutenant, without it. “Quite right to hang the German world with the sign *Verboten*; quite right to distribute titles and medals and orders, for the more they are uniformed and decorated and ticketed and drilled and taken care of, the better they like it. Over-organization has brought this about. Their theories have hardened into a veritable imprisonment of the will.”

Under Prussian influence German theories have indeed hardened into a drilled and disciplined national monomania. They have now plunged Europe into the most terrible of all wars in history, and only war has revealed how powerful and how demoralizing their teaching has been.

VI. THE RELIGION OF WAR

THE root of all modern German policy is a belief in material power, expressed in armaments. It is derived in the main from Bismarck’s confidence in “blood and

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iron," and from Bismarck's reiterated statement that the international position of every people depends on material not moral, guarantees.

This was Bismarck's theory, but his practice showed a lively appreciation of the fact that material power, however great, cannot afford to disregard the force of moral ideas. No statesman laboured harder to secure his country in the good opinion of the world.

Bismarck's successors at the helm of the German ship have flung those qualifications into the sea. Power is now the sole consideration—"the end-all and be-all of a State."* "The morality of the State," says the same popular writer, "must be judged by the nature and *raison d'être* of the State, and not of the individual citizen." The State is thus exalted as something separate from the mind and conscience of its citizens, a non-moral and predatory organism seeking only a strength superior to that of other States. Given that superiority, everything else will be added unto it, and its culture, throned on bayonets, will prevail. The creed of modern Germany not merely postulates material power as necessary to a State, if it is to maintain its civilization and its distinctive cast of moral ideas; but it sets material power above all other factors whatsoever, and makes morality subservient to that governing idea.

There is, of course, no absolute standard of morality in international relations; and the German theory may no doubt be effectively illustrated by incidents in the practice of even the most enlightened States in their dealings with less powerful neighbours. But it is neither Pharisaical nor far-fetched to point out that the British political system has been built up on presumptions of an utterly different kind to these modern German canons. Englishmen are not strong in theory; but their practice in the gradual development of their institutions—first in England and then through kindred stocks throughout the world—has been to test the State by its capacity to produce self-respecting and inde-

* *Germany and the Next War*. By General Bernhardt, p. 40.

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pendent citizens. It is the English belief that goodness in a citizen, as in a human being, involves the power to choose between one course and another. In other words, it is not the business of the State to mould the general will of its citizens, but to represent it; and that State is the best which carries with it in all its activities, at home and abroad, the mind and conscience, freely developed, of the greatest number of citizens. In such a State the views, the feelings and the moral ideas of individual citizens do largely influence its policy; the personal judgment, for instance, of Edmund Burke regarding the actions of Warren Hastings is ultimately expressed in the temper of British Government in India. And this same moral sanction influences its relations with foreign Governments, since British statesmen, with all their authority when once office has been accorded them are the creatures of British opinion and responsible to it for their use of national power.

The cult of power in Germany has eliminated all these influences or presumptions; and so far is the conscience of Germans as individuals from affecting the actions of the State, that the State, on the contrary, moulds the whole mind of the average German in accordance with its aims. The State is thus above all criticism, and no moral barriers are allowed to thwart its "will to power." As a claimant for power, it has found itself a late-comer among the strong peoples of Europe, Germany was dreaming while other nations, and England in particular, were acquiring vast properties in different parts of the earth. She cannot play her part in the world, the part due to German mind and energy, without acquiring a similar dominion; and since the path of peaceful acquisition is closed to her—or at any rate not sufficiently open to gratify her ambition as rapidly and extensively as she desires—she must force her way by violence.

In accordance with these ambitions Germany has developed within the last twenty-five years an entirely new religion of war. It is based, not on Bismarck, who in theory at least repudiated it, but on the old Prussian military

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authorities, and in particular on Clausewitz. To Clausewitz war was merely "a continuation of policy," to be invoked whenever expedient. He was a soldier of the Napoleonic era, and though he fought against Napoleon as a good Prussian, he regarded Napoleonic methods as the basis, not merely of successful war, but of all sound statesmanship. The methods by which German union was achieved between 1866 and 1871 have seemed to modern Germans to establish the wisdom of Clausewitz above all other wisdoms. A strong Prussian school had long inculcated this warlike philosophy. In the reaction after 1871 it was taken up under Prussian inspiration and gradually fitted out with an immense paraphernalia of historical, scientific and ethical arguments. There is no intellectual life in German universities which is not coloured by this teaching. Treitschke, the great historian of Prussian achievement and the relentless enemy of England, is only the best known of a multitude of influences, great and small, which have carried the propaganda through the whole German system. A recent observer has found that an average of seven hundred books is published annually in Germany dealing with the subject of war. Western civilization has come to regard war as an evil to be avoided by every resource of statesmanship—the last dread arbitrament when every other means of settlement has failed. German thought meanwhile has been taking exactly the opposite course, and has preached war as the necessary instrument of policy, good as a means and good in itself, to be used without scruple whenever the national interest may be advanced thereby, without regard to human loss or suffering. The governing stocks of humanity, it holds with Nietzsche, are above humane considerations.

These men are, in reference to what is outside their circle (where the foreign element, or foreign country, begins), not much better than beasts of prey. . . . They feel that in the wilderness they can revert to the beast of prey conscience; like jubilant monsters who perhaps come with bravado from a ghastly bout of murder, arson, rape and torture. . . . It is impossible not to recognize at the core of

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all these races the magnificent blonde brute, avidly rampant for spoil and victory.

The reaction to this cult of dominion by force over other nations has told of necessity on Bismarck's cautious scheme of foreign policy. In particular, Bismarck's principle of securing national interests by diplomatic arrangements creating a balance of power—the historic English policy and the only policy of any rational statesmanship which aims at avoiding war—has been cast aside in favour of constant endeavours to create a German diplomatic hegemony. "An attempt has been made," says General Bernhardi, ignoring Bismarck's sanction for that policy, "to produce a real equilibrium by special alliances. One result only has been obtained—the hindrance of the free development of the nations in general, and of Germany in particular. This is an unsound condition."* If "free development" means the advance of Germany towards European hegemony, the argument is unanswerable; and the further consideration that such "free development" must mean war in no way weakens General Bernhardi's desire for it. "We must put aside," he writes, "all notions of equilibrium."

From these premises it is a very short step to the complete abandonment of Bismarck's whole scheme of security, and General Bernhardi makes it without flinching. The Triple Alliance, he says, is inadequate because of its "purely defensive character." It ignores "the necessary development of events," and "does not guarantee to any of its members help in the prosecution of their essential interests."† It is necessary, therefore, for Germany to take the initiative and establish a new position for herself at the head, if possible, of a dominant Federation of Central European States. Her destiny demands this process of aggrandizement; it must be achieved, if necessary, by force; it must proceed in any case without regard for any

* *Germany and the Next War*, p. 108.

† *Ibid.*, p. 85.

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State which stands in Germany's way. In particular, Germany "*must square her account*" with France—they are the General's own italics—and since France will not accept an inferior position for her diplomacy, "the matter must be settled by force of arms." The alternatives before Germany are "world-power or downfall." She must dominate Europe, and through Europe the world, since thus alone can she discharge her "great duties of the future," and "stamp a large part of humanity with the impress of the German spirit."*

General Bernhardi is no mere fire-eater of the mess-room, as many British and American critics were fain to believe until a few short weeks ago. He is typical of a movement which is at the root of the whole political and military system of the German Empire. In the heat of European rivalry English evidence upon these facts has sometimes been taken, even in the British Dominions, as of doubtful reliability; but Americans have borne no less striking witness to their actuality. Mr Price Collier's concluding chapters in *Germany and the Germans* is a masterly summary of their significance. Professor Ussher, of Washington University, is even more explicit in his book on *Pan Germanism*, published last year. "The Germans," he says there, "aim at nothing less than the domination of Europe and of the world by the Germanic race," and he brushes aside the contention that this ambition is a transient one, imposed by a few strong personalities and evoking no popular response in the German people. "No doubt, a few men only know the full details of the plans for the realization of this stupendous enterprise, but the whole nation is none the less fired by their spirit, and is working as a unit in accordance with their directions." Prussia and the Prussian system have, indeed, drugged the mind and conscience of the entire nation like a species of alcoholic poisoning.

* *Germany and the Next War*. See the whole chapter headed "World-power or Downfall," pp. 82-114.

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Professor Ussher calls attention to one salient aspect of the propaganda which has not been much considered hitherto by the political or the business world outside Germany. It deserves quotation—the last which space permits—both as a striking example of the denial of all conventional ethics which is implicit in German Imperialism and also as an indication of Germany's strongest and bitterest antagonism. The idea is nothing less than the absolute repudiation of Germany's liabilities, as a debtor nation, to her creditors. The blow is, of course, aimed principally at England:

The world has paid her tribute, but the world need continue to pay that tribute only so long as it wishes. The moment the borrowers refuse longer to recognize the validity of her claims upon their revenues and incomes and begin to realize that they hold, with a clutch which she cannot loosen, the actual substance of wealth, then they will begin to see that her wealth is not real, but depends purely upon their willingness to continue to pay her revenue, which they may stop paying her at any moment without suffering any consequences. To be sure, such nations as these presume the violation of every notion of commercial morality, and expediency at present existing in the world, but, as the Germans say, *if they were violated*, what could England and France possibly do to avert destruction? It is true, they admit, that such a wholesale repudiation of debts would undoubtedly make it difficult for nations to borrow from each other for some time to come, but, they retort, if such a repudiation took place, the debtor nations would not need to borrow money for generations to come.

The ultimate aim of German Imperialism is indeed nothing less than the destruction of British power, the humiliation of England, and the partition of the British Empire. From Treitschke downwards that idea has been an absorbing preoccupation of German historians, and it has become ingrained in the German view of German destiny. The British Empire, in German eyes, sprawls across the world with an appearance of strength which is not merely fallacious but immoral, because it is not based on adequate human quality. It is not the product of

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sovereign mind or sterling character; it is, on the contrary, an accident, partly of history, partly of geographical situation. It has shown itself incapable of organizing its vast possessions, and its boundless wealth is becoming merely the plaything of five pampered and indolent democracies, too blind and selfish even to bind themselves together efficiently for their own defence, much less to impose their civilization and culture upon the great Dependencies.

And yet, for all its inherent weakness, this dropsical system stands between Germany and the sun, the only serious barrier (for France is none) to European hegemony and world dominion. It is like the dragon Fafnir, drowsing time away upon the Golden Horde, too heavy of frame and impotent of mind to realize or apply the secret of power with which the Gods and Nibelungs have endowed it. And Germany is young Siegfried, advancing in the glory of omnipotent youth to Fafnir's destruction.

Ye have heard how in old times it was said, Blessed are the meek for they shall inherit the earth; but I say unto you, Blessed are the valiant, for they shall make the earth their throne. And ye have heard men say, Blessed are the poor in spirit; but I say unto you, Blessed are the great in soul and the free in spirit, for they shall enter into Valhalla. And ye have heard men say, Blessed are the peacemakers; but I say unto you, Blessed are the war-makers, for they shall be called, if not the children of Jahve, the children of Odin, who is greater than Jahve.

Whatever doubts may afflict the soul of older Germany, yet lingering amid the new life, this is the faith of the governing spirits in that Germany which the world has to confront to-day, the faith in itself of a sovereign and irresistible race, having in its thews the power of Nietzsche's superman, "the magnificent blonde brute, avidly rampant for spoil and victory."

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VII. 1914

GERMANS have appealed to the sense of kinship in Englishmen against the diplomacy which has at last ranged them as enemies in the field; but they ignore a vital part of their own national doctrine in making that appeal. A kindred origin cannot compensate for the immense divergence which the new direction of German thought since 1871 has brought about between British and German ideals. The British Empire, it is true, is a contented Power, demanding no more of the comity of nations than the maintenance of the *status quo*; the German Empire is a discontented Power, demanding a drastic revision of the *status quo* as the fulfilment of its destiny; and to that simple contrast of situation can, no doubt, be traced in some part their difference of views. But the contrast of situation is not the reason why difference of view has developed into a deeply felt popular antagonism. There is no reason for that, but the new political creed, with its denial of international ethics and its cult of material power, which under the Prussian autocratic and military system inspires the whole life of the German Empire. It is not for British citizens to question the right of German citizens to be governed as they or their rulers please; but it is none the less a fact that the reaction of Germany's system of government upon Germany's external policy is the real cause of estrangement between the two peoples. The part played by every country in world-politics is determined, not only by its interests, but by the spirit of its institutions. A mere difference of interests—so far as it is real—would certainly have been composed. The war between the British and German Empires is not in its essence a war of interests; it is a war of ideals.

Diplomacy has been strained to the limit for ten years past to prevent that conflict from issuing in arms; and

it has been strained in vain, because it was an essential part of the new German creed to make diplomacy impracticable on the old European lines. Sir Edward Grey pointed out in a famous utterance after the Agadir crisis that international relations, covering as they do the play of mighty forces which statesmanship can only dimly gauge and partially control, assume a general desire for friendliness if they are to be possible at all. Had German statesmanship but taken that plea to heart, the sequel might have been different indeed. But German doctrine derides the plea, and German policy acts faithfully abroad upon the maxims which it has inculcated at home. The chosen weapon of German diplomacy has too often been terrorism and insult, from the days of the Kruger telegram in 1895 to that of the "shining armour" speech in 1909—a speech which no proud nation like Russia could ever have forgotten or forgiven. The consequences were inevitable; and even though Germany should triumph in the present war, they would follow on her triumph and destroy it in due time, for the rest of the civilized world will never endure the methods or the claims on which Germany policy is framed. "The policy of making other people afraid of you," says one of the clear-sighted American critics of Germany already quoted,* "must have an end; the policy of making others respect and like you can have no end. There is no question which is the law of national development. Neither for the individual nor for a nation is it wholesome to increase antagonisms and to lessen the conciliatory points of contact with the world."

It is, therefore, no mere accident that German policy has at last confronted the German Government with the unanimous condemnation of civilized peoples. Pursuing her own aims with calculated indifference to all other forces, all other feelings, all other points of view, Germany has step by step involved herself in antagonism to the massed strength of the progressive movement in every part of the European system. Bismarck long ago pointed the

* Mr Price Collier, *Germany and the Germans*, pp. 595-6.

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danger of allowing Austria-Hungary to involve Germany in her Balkan ambitions, but his warnings have been ignored. By a policy of insolence to France and then to Russia, Germany has been driven so far into the maze of Austro-Hungarian difficulties and designs that, in a sense, she has lost control over her ally, who knew well enough this year that Germany must now support her whatever might befall. That was the position left by the insult to Russia in 1909, the indifference to Italian sentiment, the attitude of unyielding menace to France, the alienation of Great Britain, and the sudden emergence from the Ottoman shadow of the little Balkan Powers.

Bad diplomacy, the outcome of an intolerable national philosophy, had brought the Empire to this crisis. Having "hewed their way" into trouble, German statesmen apparently saw nothing for it but to "hew their way" out. Germany's "shining armour" was once more to terrorize the civilized Powers and impose the acceptance of the Austro-German demands. It mattered not that, if the challenge was accepted, France would have to be invaded. Belgium neutrality spurned, and Great Britain presented with the choice between war and an intolerable alternative. The die had been cast long before, when Bismarck's traditions were thrown aside; the gamble had to go on.

This is the answer to the German Chancellor's plea in the Reichstag that "Germany had to defend herself," and that "necessity knows no law."* The necessity which knew no law had been created by a policy which knew no law, cynically pursued over a large number of years and shamelessly justified by the new ethics of material power. Honest men do not get into situations where murder and robbery with violence present themselves as moral necessities; an honest and peaceable diplomacy would not have drifted into a situation which necessitated the violation of Belgian territory and a murderous attack on France. German

* Speech in the Reichstag, August 4, as reported in the *Norddeutsche Allgemeine Zeitung*, August 5.

statesmanship had created its own nemesis. The defiance of Russia, the crushing of France, the violation of Belgium—this chain of action had long been contemplated and justified in time of peace. It was a “necessity” which had been calmly studied for years by the great General Staff, or it would never have occurred.

A method of statesmanship which ignores the interest and honour of all countries except its own is bound to fail. It is the essence of good diplomacy, as of good manners, to understand other people's point of view. German diplomacy has never had such understanding or valued it; and it is this vital defect, combined with the cult of an entirely peculiar code of international ethics, which has produced the conviction of all European statesmanship that it is impossible—in the slang phrase which best expresses the thing—to “do business” with Germany. Germany suffers from the defect of one of her great qualities in a tendency to interpret the world “subjectively” in the light of purely German ideas. The Englishman is self-centred and selfish enough, but he uses his instinct more than his intellect, and he takes the world as it comes. A fact seldom fails to impress him according to its deserts, a theory never does. The German is just the reverse. He has no instinct of the English kind; on the contrary, with all his painstaking thoroughness, his materialism, his *realpolitik*, there is compounded an element of theory which constantly leads him to misjudge the facts. Other people's standpoints are, after all, one of the facts which make the world, but the German mind seems impervious to it. “To offer more,” observed the semi-official *Cologne Gazette* upon the German bid for British neutrality, “would not have been compatible with German honour.” British honour does not come within its purview, or it would realize that on no terms whatever should such a bid have been made.

The gaze of the German people is fixed absorbingly upon the coming greatness of their destiny, and the colour of that

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longed-for dawn is in their eyes whenever they turn from it to the world about them. The British Empire is a mystery to them, or rather it is a fraud, because they measure it by standards to which it can never by any possibility conform.

"Living and letting live," the strength which is formed throughout the self-governing Empire by gradual democratic growth, the loyalty which is bred throughout the dependent Empire by letting justice and high character tell slowly upon the mass of local customs and ideas—these things are a sealed book to the governing classes in the German world. It has, therefore, long been a commonplace of German calculations that the self-governing Empire would fall to pieces, and the great Dependencies revolt, at the first touch of war. General Bernhardi takes both for granted without a qualm, and so does the host of German Imperialists of which he is only one type. British citizens throughout the self-governing Empire need no evidence as to their own national feelings—but what of India? The answer is best given perhaps in the fact that India is now being emptied of many of her troops, and that nevertheless Mr Tilak, the most able and inveterate of all the Indian agitators against British rule, who has only just been released from six years' imprisonment for preaching sedition, is calling upon his countrymen to support the Government. "They must sink all differences," he said, "since the presence of their rulers was desirable, even from the point of view of self-interest."*

Here, indeed, is unassailable evidence of the moral forces which modern Germany has set herself to ignore, and these forces will be too strong for German ambition in its present form, even though the thoroughness of German preparation for war make the contest deadly and long-drawn. Two ideals are at grips. Behind the one there may be, indeed there is, a power of splendid patriotism and a mighty organization of material force; but it is a power of drill and discipline, aimed at the liberties of other people by champions of an

* Reuter telegram from Poona, August 27, 1914.

autocratic and militarist faith. The other, if less well organized, has strength of a different order, for now, as in Napoleon's time, it is the cause of liberty and law, not only for the citizens within its borders (though that is its chief care) but also in the relationship of nations to each other throughout the world. The one a hothouse growth, the other a growth of open air. British citizens carry the tradition and temper of British life about them wherever they may go, to the ends of the earth; it thrives under every sky. German subjects who emigrate beyond control of the Prussian system lose the real temper of their German patriotism more rapidly and completely than any other race.

No people can think out in a generation, or conquer by mere force, the road to world-wide power. If German mind is to re-establish its influence over human development, it must cease to ally itself with a gospel of dominion by the sword. The power of German intellect in the world is lower to-day than at any period since Luther; and every civilized nation rejects with loathing the Prussian cult in which it has been imprisoned since Bismarck's time. It is not by such acts as the destruction of Louvain that German culture will increase its hold upon men.

Civilization must subdue a system which aims itself at dominion by such means; but none who knows and loves the older Germany of history will not pray that it may pass through its present ordeal to some political system in which the German spirit may express itself with freedom and security from foreign menace, and without menace on its part to the rest of the world. Though it failed to achieve the greatest of its aims till Bismarck modelled it with his iron hand, the high character built up by Fichte's teaching may even yet come more truly to its own; and with it there may rise again the Germany of true popular ideals, which almost found itself in 1848 and the following years, and might have been revived by the Emperor Frederick, had he been spared for a longer reign. The Emperor Frederick's spirit seems to be lost in the present scions of the Hohen-

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zollern line; but there are signs that *realpolitik* with its material values, its abnegation of conscience, its cult of force, is not entirely satisfactory to the soul of the German race, even though its Prussian exponents have hitherto so greatly prevailed.

One is often pained and overcome with longing [writes a modern German professor], as one thinks of the German of a hundred years ago. He was poor, he was impotent, he was despised, ridiculed and defrauded. He was the uncomplaining slave of others; his fields were their battleground, and the goods which he had inherited from his fathers were trodden underfoot and dispersed. He never troubled when the riches of the outside world were divided without regard for him. He sat in his bare little room high under the roof, in simple coat and clumsy shoes; but his heart was full of sweet dreams, and uplifted by the chords of Beethoven to a rapture which threatened to rend his breast. He wept with Werther and Jean Paul in joyous pain, he smiled with the childish innocence of his naïve poets, the happiness of his longing consumed him, and as he listened to Schubert's song his soul became one with the soul of the universe. Let us think no more of it—it is useless.*

His fields were their battleground. If only the memory of her own past had stayed the Germany which is trampling Belgium to-day!

The idyllic picture has, of course, another side. It was a noble Germany indeed, but with petty weaknesses which sapped its strength of soul. If German culture was to have its due, it needed some stronger political frame than an association of small States too jealous of each other to safeguard their common interests and ideals. But Prussian *realpolitik* is too violent a reaction from those ineffectual times, too utter a denial of the aims and principles which animate the great progressive nations of the world, to succeed and endure; and perhaps, if its power can be broken by the ordeal which it has now invoked, there will emerge from the storm a German State in which the idealism of the past will resume its broken sway and arrest the prostitution of German mind to dreams of material dominion by the ruthless cult of war.

* *Der Kaiser und die Zukunft des deutschen Volkes*, by G. Fuchs, pp. 70-71—quoted from *The Evolution of Modern Germany*, pp. 5-6.

THE AUSTRO-SERVIAN DISPUTE

I. THE ASSASSINATION OF THE ARCHDUKE

THE actual event which gave the first impetus to the greatest war of history was the assassination of the Archduke Francis Ferdinand, but it is obvious that the causes lie far deeper than that mysterious crime. Before considering them, however, it is necessary to inquire what the murder meant for Austria-Hungary. Quite apart from its effects upon foreign policy, his death exercised an infinitely greater influence upon the internal development of the Habsburg Monarchy than the tragic fate of Crown Prince Rudolf twenty-five years earlier. For Francis Ferdinand was one of the outstanding personalities in Europe—with the possible exception of William II, the most masterful member of any reigning house. As his uncle grew older, Francis Ferdinand had come more and more to represent in his own person a great political programme—the overthrow of the effete Dual System, which originally rested on the dominance of two races, the German and the Magyar, over the remaining eight, but which had ceased to “work” since the virtual collapse of the former in all save foreign policy; the regeneration of the Monarchy as a centralist state, on a wide if modified federalist basis; the vindication of the rights of the subject races of Hungary; a policy of internal administrative and linguistic reform; the solution of the Southern Slav question by unifying the Serbo-Croat race under Habsburg rule; and the consequent extension of Austrian influence and prestige in the Balkans.

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He thus incorporated the "Great Austrian" idea in its most ambitious form. Neither German nor Slav nor Latin, but merely "Habsburg" in feeling, he was, both by descent and by temperament, a typical blend of Habsburg and Bourbon. Though not in any sense a pacifist, he was also not an irresponsible militarist. We have the authority of Dr Danev, the Bulgarian ex-Premier, for the assertion that Francis Ferdinand used his influence during the first Balkan War strongly in favour of peace with Serbia; and from another highly reliable source the present writer learnt the remark of the Archduke, dating from the same period, "An Emperor can risk an unsuccessful war, but a Crown Prince cannot." In short, Francis Ferdinand's policy was dynastic and imperialist, and yet in many respects democratic; at the least its fulfilment would have involved a vast step towards democratic ideals. It must be borne in mind that, despite many shortcomings, Austria has made great progress politically in recent years. The real obstacle has always lain in Hungary, where the Magyar oligarchy, aided by its Jewish parasites in the commercial and journalistic world, has monopolized all political power and exploited it in favour of a narrow racial hegemony.

The Sarajevo murder is, and may remain, a hideous mystery. In a country so infested by secret police as Bosnia, Dalmatia and Croatia—where for years past treason-hunts have been the order of the day and indeed treasonable propaganda has often been artificially created to order—it is difficult to understand how so elaborate a plot could have eluded the vigilance of the authorities. It is an open secret that no precautions were taken for the protection of the Archduke and his wife, and without endorsing the widespread assertion that the two murderers, Čabrinović and Princip, were Austrian *agents provocateurs*, we are at least entitled to suspect that they were left free to ply the trade of assassin. This is borne out by the well-authenticated remark made by the Archduke to his suite after the explosion of the bomb—"The fellow will get the Golden Cross

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of Merit for this"—a phrase which merely confirms equally authentic and significant remarks made by him on other occasions. Not less suspicious are the shameful anti-Serb excesses which followed the murder. No one who knows anything of Bosnia will pretend that the police and the military were alike powerless to prevent the wholesale sacking of houses and hotels on two successive days by the scum of the bazaar population. *Cui prodest?* Until the great war is over, further investigation will be impossible, and it may be that meanwhile all traces of the real truth will be effaced. For the moment it is enough to point out that despite the widespread horror excited by the outrage, the removal of Francis Ferdinand evoked in many influential circles in Vienna and Budapest feelings of thinly veiled relief. It is only fair to add that while some were influenced by fears for their political monopoly, others were persuaded that his accession to the throne might prove a grave embarrassment to the dynasty, owing to the serious and incurable disease with which he was threatened and which filled both himself and his wife with gloomy forebodings.

The immediate effect of the crime was to remove the one man capable of controlling a difficult situation and to bring the irresponsible elements to the front. The grief of the Army, the Clericals and even of large sections of the Slav population, who each in their own way had looked to Francis Ferdinand as their leader and saviour in the near future, was now skilfully exploited by the very people who secretly rejoiced at his disappearance from the scene. The Magyar oligarchy, which already had its back against the wall, realized that the moment for action had come. Its reactionary ideas of racial dominance found a leader—fanatical, iron-handed, personally equally brave and honest, but politically quite immune from all scruples—in Count Stephen Tisza, the Hungarian Premier.

The murder provided a splendid pretext for aggression. The psychological effect of so dastardly a deed was to unite many discordant elements in anger and revenge, and was

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well calculated to destroy Serbia's reviving reputation in Europe. Nor must one personal factor of the highest importance be overlooked—the effect of such a crime upon the German Emperor. The loss of an intimate and valued friend, the deadly blow struck at a closely allied Power, the peculiar infamy of an outrage upon one of the sacred royal caste, all contributed to make him impervious to argument on the subject, and it is probable that the friction which arose between the Courts of Berlin and Vienna in connection with the Archduke's funeral made William II all the more anxious to show what he regarded as unquestioning loyalty to his ally's cause. To this extent he may be said to have become the cat's-paw of Viennese intrigue, even if there are grounds for believing that other considerations had their effect on his decision.

Vienna and Budapest were at one in attempting to fix the whole blame upon Serbia. The methods employed to convince Europe were the same as those of the Bosnian and Balkan crises of 1908 and 1912, and it is essential to recur briefly to those events.

II. THE CRISES OF 1908 AND 1912

WHEN, as a result of the Young Turkish revolution, Aehrenthal decided upon the annexation of Bosnia-Herzegovina, a case had to be made out to prove its necessity. In the summer of 1908, therefore—as a result of connivance between the Ministry of Foreign Affairs in Vienna and the Hungarian Coalition Cabinet and its nominee Baron Rauch, as Ban of Croatia—wholesale arrests were made in Croatia, on charges of treasonable Pan-Serb propaganda; and in March, 1909, while the international crisis was at its height, the notorious High Treason Trial opened at Agram. Three weeks later the Austrian historian, Dr Friedjung, published an article in the *Neue Freie Presse*, in which,

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on the basis of documents supplied to him by the Foreign Office, he formally accused a number of prominent politicians of the Serbo-Croat Coalition of being in the pay of Belgrade. It is an open secret that if war with Servia had resulted, these leaders would have been summarily shot, and with them would probably have perished all evidence of the perfidious conspiracy directed against them. The crisis passed, and in due course the libel action brought by the Serbo-Croat leaders against Dr Friedjung came up before a Viennese jury and developed into one of the most sensational political trials of modern times. It was conclusively proved that the "documents" supplied to Dr Friedjung were impudent forgeries, deliberately concocted to ruin the movement for unity and the political parties which advocated it; and the methods of Count Aehrenthal and the officials of the Ballplatz were gravely compromised. Further inquiries, due mainly to the energy of the Czech philosopher and politician, Professor Masaryk, elicited the fact that the forgeries originated in the Austro-Hungarian Legation at Belgrade, which thus was exposed as the centre of the plot to discredit Servia in the interests of Vienna. When Masaryk, in a scathing speech in the Austrian Delegation, openly denounced Count Forgách, the Minister in Belgrade, as "Count Azev,"* attempts were made to save the latter's reputation at the expense of subordinate members of the legation; but his moral responsibility for the forgeries was finally established by the tactical errors of Aehrenthal and his official press.†

These shameful methods, in every way worthy of the worst police-state traditions of Napoleon or Metternich, not only aroused the bitterest feeling throughout Southern Slav lands, but rendered friendly relations between Austria-Hungary and Servia almost impossible. When Count

* An allusion to the notorious Russian *agent provocateur*, who was at once a member of the secret police and of the revolutionary organization.

† See a detailed account of this incident in Seton-Watson's *Southern Slav Question*, chapter xii.

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Berchtold succeeded Count Aehrenthal as Foreign Minister, there seemed to be some prospect of improvement, but though personally beyond reproach he was far too indolent and superficial to attempt any reform of the system which lay like a canker at the heart of Austrian foreign policy. Not merely did the old bureaucratic gang remain, but ere very long Forgách, who had in the meantime been transferred from Belgrade to the less electric atmosphere of Dresden, was actually summoned to the Ballplatz as one of the chief directors of Balkan policy. The anti-Servian campaign, hitherto in the hands of the two under-secretaries, Kania and Macchio, thus passed under the control of a still more pronounced enemy of the Southern Slavs. That there was no provocation on the part of Serbia it would be idle to assert. Indeed, it may be admitted that the authorities in Belgrade did little or nothing to repress those anarchic and unruly elements which are so much in evidence in all the Balkan capitals and which are systematically encouraged by a noisy gutter press. But such inaction is partly explained by the notorious part played in Belgrade by the secret agents of Vienna and Budapest. Nor should it be forgotten that all overtures from Belgrade were consistently and almost contemptuously rejected by the Ballplatz. At the height of the Balkan crisis three prominent Austrian politicians visited Belgrade with the definite object of promoting an understanding, though without any formal authorization from Vienna; and one of them, who enjoys the confidence of almost all Southern Slavs, was empowered by the Servian Premier, Dr Pašić, to put forward such far-reaching proposals on the part of the Servian government as would have revolutionized the whole relations of the Monarchy with its Balkan neighbours. This offer contained the promise not only of railway, road and bridge concessions throughout the new Servian territories to Austrian capitalists, but even the pledge of the "most favoured nation" clause in the next commercial treaty. Count Berchtold's attitude towards these advances, com

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bined with the scandals of the Prochaska affair* at the same time, forced Pašić to the conclusion that friendship with Austria was impossible, and greatly strengthened the influence of that arch intriguer, M. Hartwig, the Russian Minister in Belgrade. The hostile attitude of the Monarchy towards Servia during the first war was still further accentuated in the second war, when Bulgaria received large material aid from Vienna and was publicly encouraged in her aggressive attitude by a famous speech of the Hungarian Premier, Count Tisza. The keen hostility towards Servia which inspired Count Forgách, Baron Macchio† and their colleagues in the Ballplatz, must be regarded as a very important factor in the situation, nor should their relations with the German Ambassador in Vienna—an active enemy of all Slav movements, whether in Russia or in Austria—be overlooked.

It is well, then, to realize the determining factors in Austria-Hungary after the removal of the "strong man." The old Emperor, peace-loving and possessed of unrivalled experience, but entirely devoid of all initiative and no longer able to check or hold back the forces working around him. The Court clique, consisting of his Chamberlain, Prince Montenuovo, his aide-de-camp, Count Paar—both open enemies of the late Duchess of Hohenberg—and certain female influences, ringing him round as by a Chinese wall of preconceived ideas. Konrad von Hoetzendorf, an

* The occupation of Prizren by the Servian army and the consequent isolation of Mr Prochaska, the Austro-Hungarian Consul in that town, from his government, provided the latter with a convenient pretext for inaugurating an anti-Serb campaign and inflaming public opinion. For a fortnight the entire population of Vienna firmly believed that Prochaska had been shamefully mutilated by the Serb troops, and it was only when he arrived unhurt in Vienna that the legend fell to the ground. At the same time similar libels against Servia were propagated in Vienna—notably a circumstantial account of how General Živković had with his own hand murdered the Albanian leader Isa Boljetinac! In reality they never met.

† It is worth noting that after Italy's declaration of neutrality Macchio was dispatched as ambassador to Rome, in a last despairing effort to drag Italy into active support of the Triple Alliance and incidentally to poison the minds of Italian statesmen against Servia.

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able soldier, but a man without a trace of judgment, balance or statesmanship, ready to stake all on a gambler's throw.* The Foreign Office clique, with its sinister record, utterly shortsighted and uninspired. The German Ambassador, Tschirschky, with all the supporters he could muster in the financial and journalistic world. Count Stürgkh, the Austrian Premier, whose complete insignificance rendered the task of the extremists easier. Count Tisza, the Hungarian Premier, a Calvinist fanatic ready to die in the last ditch for an ideal as perverted and anachronous as that which inspired Paul Krüger.

III. THE RACE ISSUE

WHAT is it, then, that has rendered friendship between Austria-Hungary and Serbia impossible. The obstacle is at once economic and national. Let us deal with the former issue first. Serbia, as an inland country, found her economic independence hampered and threatened at every turn by her powerful neighbour, while on the other hand the provinces of Dalmatia and Bosnia, which form geographically the seaboard of Serbia and are inhabited by men of her own race, are in alien hands. Her efforts at economic emancipation under King Peter led to the so-called "Pig War" against the Monarchy; but though unexpectedly successful in finding new markets, the Serb peasants felt the pinch of such a struggle and repaid it in an increased hatred of Austria-Hungary. At this point came the Young Turkish Revolution and the consequent annexation of Bosnia by Aehrenthal. Of course it had long been obvious

* As long ago as December, 1912, after the Servian victories in the first Balkan war, Konrad took steps to ascertain the opinion of an observer whom he thought to be competent, upon the expediency of an immediate attack upon both Serbia and Russia. Simultaneously the Austro-Hungarian War Office opened a list for the registration of correspondents of foreign newspapers who would be allowed to follow the Austrian army in the intended war against Russia.

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to external observers that in 1878 Austria-Hungary had come to stay, and that her effective administration would never again be superseded by the phantom Turkish suzerainty. Yet that act, though only technically a breach of international law, touched the whole Serb race to the quick and led to violent outbursts of impotent fury. For some months it seemed as though Serbia and Montenegro were bent upon staking their very existence upon war with the Monarchy. Aehrenthal, of course, adhered stubbornly to the policy of annexation. Russia, after encouraging the sister States in their diplomatic resistance, abandoned them to their fate when Germany stepped forth in "shining armour" to support her ally. Nothing was left for them but a humiliating submission, embodied in the document which Viennese diplomacy has made a convenient point of departure for the Austrian Note to Servia.*

This reverse had a chastening effect upon Serbia and restored her to a sense of hard realities. From that day dates the rapid renaissance of her national spirit, and of its most practical form of expression, the Serbian army. No one who visited Belgrade in 1908-9 and returned in 1912-3 could fail to wonder at the transformation. The two Balkan wars revealed Serbia to the outside world as a real military power, revealed, too, the latent possibilities of the Serb race. Expansion on natural lines to the west having been artificially prevented, Serbia now had to look for other exits, and the first result of her victories over the Turks was her occupation of Northern Albania and of the very inferior but tolerable ports of Durazzo and Medua. Berchtold was too shortsighted to realize that for reasons of physical geography these harbours could never become naval bases, that their mountainous hinterland was likely to be a source of weakness to the conquerors, and that the moment had arrived for finally tempting the Serbs into the Austrian sphere of influence by the bait of generous commercial concessions through Bosnia and Dalmatia. Turning a deaf

* See White Paper, No. 4.

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ear to those who urged such a policy upon him, he imposed an absolute veto upon Servian expansion on the Adriatic and devoted himself to causing friction among the allies. Servia thus had no alternative save to seek her economic outlet down the valley of the Vardar, and in so doing she came into violent conflict with Bulgarian aspirations in Macedonia. To the Ballplatz a war between the allies was the first condition to that Austrian advance on Salonica which still remained the ideal of an influential section of Austrian and Hungarian opinion.

But the issues involved lie far deeper than the quarrel between Belgrade and Vienna or Budapest. The unity of a race of eleven millions is at stake—the future of all the wide lands that lie between Villach and Monastir, between Neusatz and Cattaro. The subjoined table shows existing political subdivisions and gives some idea of the untenable situation of the Southern Slavs.

	Croat	Serb	Slovene	Serbo-Croat-Moslem
I. 1. Under Austria:				
(a) Dalmatia . . .	600,000	100,000	—	—
(b) Istria . . .	200,000	—	100,000	—
(c) Carniola } . .	—	—	1,200,000	—
Carinthia				
2. Under Hungary				
(a) Croatia-Slavonia	1,750,000	650,000	—	—
(b) Banat, and W. Counties . .	200,000	450,000	100,000	—
3. Under Austria-Hungary jointly				
Bosnia-Herzegovina	450,000	850,000	—	600,000
II. 4. Independent Servia .	—	3,250,000	—	—
5. Independent Montenegro	—	350,000	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	3,200,000	5,650,000	1,400,000	600,000
United total . . .	10,850,000			

While Servia, released by the hideous tragedy of 1903 from the corrupt and irresponsible yoke of the Obrenovitch, entered upon a new era under a rival dynasty, a movement

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of almost equal importance was taking place among her kinsmen across the Save and Drina. In 1905 the scattered opposition parties of Croatia combined into the so-called Croato-Serb Coalition, and at the conferences of Fiume and Zara adopted a programme of constructive reform as the basis of joint political action on the part of both races. The immediate result was that the party which for the previous twenty years had ruled Croatia in the interests of Budapest by the aid of every imaginable corruption and violence, at once lost its majority and collapsed. After a brief reconciliation with the Magyars, the Croato-Serb Coalition was driven once more into opposition: but nothing could now check the growing perception that Croat and Serb are one race, divided only by differences which the modern world no longer regards as the excuse for a family feud. To check this movement for unity, Vienna and Budapest resorted to the systematic persecution of the Serbs of Croatia. Wholesale arrests and charges of treason led up to the monster trial at Agram, which dragged on for seven months amid scandals worthy of the days of Judge Jeffreys. The Diet ceased to meet, the constitution of Croatia was in abeyance, the elections were characterized by corruption and violence such as eclipsed even the infamous Hungarian elections of 1910; the press and the political leaders were singled out for special acts of persecution and intimidation. These tactics seemed to have reached their height in the Friedjung trial (December, 1909), to which reference has been made above, and its scandals led to the fall of Baron Rauch, who, as Ban of Croatia, had been responsible for many of the worst abuses. But there was merely a change of person, not a change of system, and ere long the friction between Magyar and Southern Slav was as acute as ever. Serbo-Croat unity was only cemented by persecution, and the movement soon extended to the kindred Slovenes and struck root even among the most confirmed Clericals. In the spring of 1912 the conflict between Agram and Budapest culminated in the abolition of the Croatian constitution,

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in the appointment of an unscrupulous official as dictator, and a few months later in the suspension of the charter of the Serb Orthodox Church. From an Austrian point of view nothing could have been more unfortunate. For close on the heels of these crying illegalities and the lively demonstrations and unrest which they evoked, came the Balkan war, the crushing victories of the allies over Turkey, the resurrection of the lost Servian empire, the long-deferred revenge for the defeat of Kosovo. The Southern Slav provinces of the Monarchy were carried off their feet by a wave of almost ecstatic enthusiasm for the Balkan League, and an almost impossible situation was reached when the Austro-Hungarian Government placed itself in violent conflict with Servia, vetoed her expansion to the Adriatic, insisted upon the creation of an independent Albania and mobilized to enforce her openly Serbophobe policy. Even during Cuvaj's regime in Croatia, in other words in the spring preceding the war, the movement of national protest had spread far beyond the classes which usually control such movements. Its infection had spread to the schools, and on one occasion practically every boy and girl above the age of fourteen in the schools of Croatia, Bosnia and Dalmatia had indulged in a spontaneous and well-organized political strike! On such soil the Balkan war struck deep root, and in one short year the Southern Slav youth was irretrievably lost for Austria. The moderate politicians lost all hold upon the younger generation: the students simply ignored them and went their own way. Many dreamt of revolution, all alike looked to Servia as the daystar of national liberty. Such was the *milieu* out of which came the group of youthful fanatics whose act of terrorism has set Europe in a blaze. Those whose sympathy for the Italian Risorgimento is not damped by the methods of the Carbonari or of Mazzini's disciples, who do not despair of Russian freedom because its cause has been stained by acts of terrorism, will not condemn a whole nation for the crimes of a few raw and unbalanced striplings. The hideous irony

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of it all is that Francis Ferdinand was the one man capable of righting the desperate internal situation; the one man in high quarters who was resolutely opposed to Magyar policy towards the Hungarian nationalities and towards Croatia and resolved to attempt some drastic solution of the Southern Slav problem, as soon as fate should grant him the opportunity.

To sum up, it cannot be too strongly affirmed that the incentive to the crime came from within the Monarchy, from the intolerable misrule of the Magyars, aggravated by Viennese connivance. While it is true to say that the existence of an independent Serbia kindled the imagination of the Serbs and Croats within the Monarchy and rendered them restless under galling political conditions, and that Belgrade, like all other Balkan capitals, contains anarchical and revolutionary elements eager to make mischief across the frontiers, there are, on the other hand, no grounds whatever for supposing that official Serbia had any connection with the crime. Everything points to the opposite conclusion, for the murder occurred at a moment when Serbia was specially in need of peace. The Concordat with the Vatican had only been signed a week before; the negotiations regarding the Orient railway had reached a critical stage; above all the customs and military union between Serbia and Montenegro was on the point of being proclaimed and there was even a prospect of a final arrangement regarding the mutual relations of the Karageorgevitch and Petrovitch dynasties. In other words, in the absence of proof the presumption would be in favour of aggression from Vienna to prevent Servian consolidation, rather than from Belgrade in favour of a criminal provocation of the Habsburg Monarchy.

The one mistake made by Serbia was her omission to offer a thorough inquiry, without waiting for any such suggestion from Vienna; and there is reason to believe that this step was prevented by M. Hartwig, whose whole policy had been devoted to embittering still further the relations of Serbia

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and the Monarchy. His sudden death within a fortnight of the murder, during an official call upon his Austro-Hungarian colleague, seemed to many observers a signal example of retributory justice. In this connection, however, it is right to point out that as in Teheran so in Belgrade M. Hartwig often far outran the instructions or intentions of his Government, and that the appointment of Prince Gregory Trubetzkoi, the gifted exponent of Russian foreign policy,* as his successor at the Russian Legation in Belgrade, was a markedly conciliatory act on the part of St Petersburg.

IV. THE AUSTRO-HUNGARIAN ULTIMATUM

THE Austro-Hungarian Note to Servia is susceptible of only one interpretation; it was deliberately couched in such terms as to be unacceptable. No possible loophole was left by which Servia could save her self-respect or prestige. And yet the impossible happened, and Servia accepted the most galling of the demands made upon her, merely making certain reservations upon two out of the ten chief points, without expressly rejecting even them. Not content with this humiliating submission, the Servian Government three days later, through the medium of its representative in Rome, informed the Italian Foreign Minister that it was actually prepared to accept the whole Note, if only "some explanation were given regarding the mode in which Austrian agents would require to intervene," and even went so far as to offer to accept these explanations from a third party, if Austria-Hungary was not disposed to give them to Servia direct.† The best proof, however, of Servia's conciliatory attitude lies in her offer to submit any points not fully met by her reply to the decision of the Hague Tribunal, where there would obviously have been little sympathy for terrorist conspiracies, or to that of the Powers who had

* See his *Russland als Grossmacht*, trans. by Josef Melnik. Stuttgart. 1913.

† White Paper, No. 64.

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dictated the terms of her surrender to Austria-Hungary in March, 1909.*

That Austria-Hungary was not satisfied with so abject a surrender, shows that war had been resolved upon from the first. The best proof of this is the inclusion of a time limit of forty-eight hours, a step which paralysed all efforts towards peace and was directly responsible for the catastrophe which has overtaken Europe. It is almost impossible to resist the conclusion that Berlin shares with Vienna the responsibility for this time limit; and this is further strengthened by the frank admission of the *German White Paper*, that Germany "gave Austria an entirely free hand against Servia."† The German contention that Austria-Hungary could not be summoned before a European tribunal, was probably put forward in perfect good faith by Berlin: but it shows a failure to reckon with the facts of the situation, since on the one hand it ignored the all important precedent of the *Dogger Bank*,‡ and on the other hand gave in effect a free hand to Count Forgách and his methods. The Agram and Friedjung trials§ and the scandals connected with the names of Nastić, Vasić and Forgách, provide the real explanation why Austria-Hungary was disinclined to go to the Hague, and when the war is over, other still weightier reasons will probably transpire. The dossier appended to the Note and submitted as its

* White Paper, No. 39.

† The German White Paper was not, like the English one, a complete collection of the dispatches which passed during the negotiations, but a statement of German policy with a few supporting documents. It was laid before the Reichstag on August 4.

‡ It will be remembered that the Russian Baltic Fleet fired on some British trawlers in the North Sea at the outset of its voyage to the Far East during the Russo-Japanese war. The incident brought the two countries to the verge of war, but was satisfactorily disposed by the agreement of the two Powers to submit their differences to the Hague Tribunal.

§ At the Friedjung Trial Dr Spalajković, in the name of the Servian Government, formally offered to submit the whole case to the Hague Tribunal. The anxiety and disfavour with which this proposal was greeted in Vienna was very marked, and betrayed itself especially in the attitude of the presiding judge and of the semi-official inspired press.

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justification to the representatives of the Great Powers, was, to say the least, suspect, since it rested upon a one-sided and secret investigation conducted in the prison of Sarajevo. The attitude of the outside world could not have been better summed up than by Sir Edward Grey in the opening document of his memorable White Paper, in which he assumed that the Austrian Government "would not do anything until they had first disclosed to the public their case against Servia, founded presumably upon what they had discovered *at the trial*." There has been no trial, and there probably never will be. In other words, the dossier, even if it had not passed through the office of Count Forgách, was not evidence in any western sense of the word.

The ostensible aim of Austria-Hungary is a "punitive expedition" against a turbulent and unprincipled little neighbour, and to those ignorant of her internal racial conditions this explanation may seem plausible enough. But the real issues at stake are the continuance of the effete Dual System, which has so long blocked the path of every real reform in the Monarchy; the maintenance of the Magyar racial hegemony over the non-Magyar races of Hungary, the perpetuation of the political and economic bondage of the Southern Slavs. This attempt on the part of a narrow and reactionary clique to bolster up an impossible *status quo* and hold back the clock of history, can only end in moral and political bankruptcy, but its authors seem determined to drag down Europe in their fall. More than anyone in Europe—more even than the rival war parties in Berlin, Petersburg and Vienna—the Magyar oligarchy is directly responsible for this war; for it is their oppressive treatment of the nationalities and above all their misgovernment of Croatia, reacting upon Bosnia and Dalmatia, which has kept the Southern Slav question as an open sore on the face of Europe and permanently embroiled the Monarchy with the independent Serb states. Just as the German people's perfectly comprehensible dread of

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Russia is being exploited by the Prussian military chiefs, so the unhappy peoples of Austria-Hungary are being exploited in favour of a system which runs directly counter to the interests and aspirations of the majority among them.

For a moment it seemed as though Austro-Russian complications might be averted by the assurances given by Austria-Hungary in Paris, that the integrity of Serbia would be respected.* But to those who knew enough to look below the surface it was obvious that such a pledge, even if given in all honesty, was almost worthless. The Servians were prepared to fight to the last man in defence of their independence, and Austrian success would have found the sister kingdoms in a condition in which the victors would have had no choice but annexation. Count Mensdorff's eager assurance (No. 137) that Austria-Hungary had no idea of re-occupying the Sandjak, was either naïve or perfidious; for our Foreign Office can hardly have been ignorant of the notorious facts that the Austrian General Staff had long ago decided that the Sandjak, as a line of strategic advance, was worthless by comparison with the Morava valley, and that any fresh advance into the Sandjak would infringe the Balkan understanding between Austria-Hungary and Italy. There are many indications that the real Austrian objective was Salonica.†

In time of peace there was always some hope, despite the ever recurring errors of Viennese and Magyar diplomacy, that the Southern Slav question might be solved peacefully within the Habsburg Monarchy. But with the death of the Archduke that hope also died. The question immediately

* A prime reason of the evacuation of the Sandjak in 1908 was Italy's contention that the annexation of Bosnia altered the Balkan *status quo* to her disadvantage. When during the first Balkan war Italy's attitude in the Albanian question was regarded by Serbia as unfriendly, the Italian Minister in Belgrade made repeated efforts to convince the Servian Government that Italy's action with regard to the Sandjak had been inspired by friendly consideration for Serbia and Montenegro.

† See White Paper, No. 19 (Sir R. Rodd's dispatch of July 25) and No. 82 (Mr Beaumont's of July 29).

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assumed European importance, just as it had already done in 1908 and in 1912. Unfortunately the statesmen of Vienna, Budapest and Berlin, while basing their case upon the Servian Note of March, 1909 (acknowledging the situation of Bosnia to be no concern of hers), ignored the fact that this note was extracted from Serbia, and its phraseology determined, by joint action on the part of the Powers, and persistently argued that the same question in its new form was a matter which concerned no one in Europe save Serbia and Austria-Hungary. This fatal attitude, based on a complete misreading of past history and on a failure to comprehend the point of view of ally and opponent alike, was adhered to despite repeated warnings from St Petersburg, London and other capitals.* The result is universal war.

On July 16 Count Tisza affirmed in the Hungarian Parliament that the relations of the Monarchy with Servia must be "cleared up," and subsequent events have revealed the drift of his ideas. To-day Britain may well adopt his phrase and insist that among many other results of this horrible war, the Southern Slav question shall be definitely cleared up, but in accordance with the wishes, not of the Magyar oligarchy, but of the Serbo-Croat race. The action of the allied French and British fleets upon the Adriatic, and their co-operation with the Montenegrin and Servian armies, should ere long place us in a position to assure such a solution.

* Cf. White Paper, Nos. 3, 10, 17, 48, 101, etc.

LOMBARD STREET IN WAR

I

THE brief and very incomplete financial diary given at the end of this article, unintelligible though some of its contents may be to the layman, affords nevertheless some indication of the profound and far-reaching disturbance caused throughout the financial world by the great European war. The time is not ripe for a thorough examination of the crisis in all the money centres of the world and of the varying methods adopted to meet it. All that is aimed at now in these pages is to give a short account of what actually happened in London. There is no little difficulty in doing this clearly as well as shortly. For finance, like philosophy, has an unintelligible language of its own. Moreover, the mechanism of the City is in actual fact very intricate and complicated, difficult to grasp as a whole and still more difficult to expound. Hardly a statement can be made that ought not to be qualified in some way or other, if exact truth is to be attained. But this is quite impossible within the space of a few pages. The picture given will therefore be painted only with the broadest of brushes.*

* In March, 1912, an article entitled "Lombard Street and War" was published in THE ROUND TABLE, which dealt at much greater length than is possible in the present article with the mechanism of the City. Readers who are interested are referred to that article. In view of recent events the following extract from it may be worth making.

"What, then, is likely to happen on the outbreak of such a war? Suppose, for instance, Germany declared war against us. A crisis in the Money Market would be at once precipitated. Everybody would be seeking to place themselves in a position to meet their engagements. Money would dry up, and the bank rate would be forced to a high

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London is the financial capital of the world, the world's bank, the world's clearing house, the world's greatest Stock Exchange, the only free market for gold, the greatest lender of money and credit. All the world owes London money. London therefore must be more affected by a world-wide crisis, and a world wide financial and commercial paralysis, than any other centre. Other centres will have suffered very severely, but in no other case is the whole world so vitally affected.

Perhaps the City's most outstanding feature is that

figure. At the same time there would be a tremendous fall in value of all securities on the Stock Exchange, so great a fall that the Stock Exchange might even have to be closed. Banks would have to 'carry' their customers who had borrowed against securities, and would find a large part of their assets unrealizable. The discount market, i.e. the bill market, would be no better off. Business would be at a standstill, paralysed by suspicion. The value of a bill depends on the soundness of the 'names' on it, and there would be no firm which might not be unsound in such a time. Our foreign clients, too, might in many cases have great difficulty in remitting us 'cover' for the bills falling due accepted on their account. In the case of Germany itself, there would be some doubt whether we should be able to obtain payment at all . . . London finances Germany by means of acceptances to the extent probably of about £70,000,000 sterling at any one time. This means that accepting houses in London will have made themselves responsible during the two or three months after the outbreak of war for the payment, mainly to the Joint Stock Banks, of £70,000,000 against bills drawn on German account, which these banks and others will have bought in the discount market. But the accepting houses would only be in a position to pay the whole of this large sum, if they receive, as they would in the ordinary course of affairs, the same amount from their German clients, to finance whose business the bills were drawn. It is quite probable that these clients would not or could not pay. It is probable that in any case, whether their money were received or not, the discount market would be so hopelessly disorganized that a 'moratorium' would have to be declared. Otherwise every one would be compelled to call in his loans and liquidate his position in order to find the means of payment and, as every crisis has proved, that course would be fatal. The whole credit system rests on the supply of banking currency. If this currency is withdrawn no one can meet his debts, because no one has the means to pay. The whole Money Market would be struck with paralysis."

What was contemplated in that article was a war between England and Germany only. What, however, was not fully foreseen was that a big European war would paralyse not only the Foreign Exchanges between the nations actually engaged in it but *all* Foreign Exchanges, rendering remittances from *all* countries impossible for the time being.

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it is the greatest manufacturer of credit in the world. In the modern world all transactions, which are not conducted by means of barter, or by the actual exchange of gold and silver against goods or securities—and these are of course infinitesimal in proportion to the whole—are carried through by means of credit. By means of the invention of joint stock banks, limited liability companies, stocks and shares, bills of exchange and so forth the wealth of the world is liquefied, mobilized, concentrated, divided into convenient shares, and passed from hand to hand and from country to country through the great monetary centres of the world. The titles to wealth, whether they be a deposit account in a bank, on which one may draw cheques, or a banknote, or a promissory note, or a share, or a bond or a bill of exchange, are not real wealth in themselves, but merely represent it. But they enable wealth to be dealt with, handled, borrowed and lent, and it is on the security of these titles to wealth representing the wealth underlying them that the banking community lends money. The lender never lends except on the assumption that the borrower has or will have the means to repay with interest, and in the vast majority of cases the borrower must give some security or other as evidence of his ability to repay. Thereupon he obtains "credit" from his bank. In other words the bank gives him the right to use some of its resources. These resources it obtains through the invaluable function the banking community performs of concentrating all the scattered wealth of the country, which private individuals and companies deposit with them. It then lends them out to those who in its judgment can utilize them to the best result and can offer the best and most liquid security and the surest guarantee of repayment. The enormous credits in the way of loans, discounts and advances granted by the banking world to all and sundry are possible only through the enormous deposits made with the banks—amounting in the case of the British banks to over £1,000,000,000. This wealth is not left

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lying idle in the banks' vaults. It is utilized in the way of loans and purchases of securities of different kinds. It may be loaned against stocks and shares representing wealth in the form, say, of a railway in the Argentine or a brewery in England, or the taxing power of the British Government as represented by Consols, or a steel company in Canada, or against bills of exchange representing wealth in the form of merchandise, such as grain from America or coffee from Brazil or silk from Japan. The forms of wealth on which banking loans are secured are as endless indeed as the variety of things in the world, which are useful and therefore valuable to mankind.

Now, since the depositors of a bank may at any moment require their money back, it is obviously of first-class importance that the loans, which a bank has made, should be repaid whenever required and that the securities which it has bought, whether they be shares or bonds or bills of exchange, should be easily liquidated and turned into cash. Unfortunately, the very fact of a crisis means that to turn anything into cash becomes difficult, and a severe crisis means not only that it is impossible, but that for a bank to try to turn its assets into cash only aggravates the crisis. You can only turn your holdings of securities and bills of exchange into cash, if some one else will buy them, and in a crisis no one else will buy them. You can only get your loans repaid, if your debtors get their loans repaid or can liquidate themselves by getting some one else to buy the securities or assets which they hold. That is just what no one in a crisis will do. A bank may make loans on call to the Money Market, which at ordinary times it rightly treats as equivalent to cash. It is repaid on demand in all ordinary times without question. But in a crisis the Money Market cannot repay it, because it cannot sell its bills. If the bank insists on repayment, the debtor must go into default, and then the bank is worse off still. It has not got its loan back, and it has caused a failure which may have the most far-reaching consequences, both for itself and for all other

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financial institutions. In a crisis all the devices of credit for making wealth liquid fail. The whole system of credit is based on the assumption that things will go on normally, that every one's business is conducted on reasonable anticipations of profit, that every one will pay every one else at the due date. It is based on confidence. If a war breaks out, then every one knows that all calculations are thrown out, that all anticipations of profit or of every one paying their debts at the right time, are certain to be falsified. All confidence is destroyed. The destruction of confidence, even if there is no justification for it, is sufficient in itself to bring the machinery of credit to a stop. No one then likes to buy or loan against the usual evidences of wealth, since no one knows in such times what they are worth—i.e. whether anyone will buy them or, if they can be sold, at what price or what real wealth is at the back of them.

It is easy to see why this must be so. In normal times the titles to wealth, such as stocks and shares, bills of exchange and so forth, which are dealt with in the City, do normally represent the actual wealth to which they lay claim on their face. Yet even in normal times all securities go up and down in value. A change of fashion, a bad harvest, over-expansion, an excess or lack of capital, a wrong estimate of the profitableness of a particular industry, all these and many other causes—in a word, everything affecting supply and demand—produce a rise and fall in the prices of securities because they affect the value of the wealth which these securities represent. Some affect a single industry. For instance a sudden fashion for furs will send the price of a fur company's shares up. Others affect industry in general, such as lack of capital throughout the world. But normally these changes are foreseen and work within comparatively narrow limits. But not so in a prodigious catastrophe like the present war. Then every estimate is upset. No one knows what is the value of the titles to wealth he possesses. He only knows they are probably worth less than before. Some few, such as the shares of armament firms, or khaki

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manufacturers may be worth more. But in the mass securities must be worth less, because there will be less wealth. Not only will there be an enormous destruction of wealth, but, even more important perhaps, there will be an enormous diminution in its production and a world-wide dislocation in its transfer from producer to consumer. It is impossible therefore to say what securities are worth. Take the shares of a cotton estate in the Southern States of America. That industry is faced with tremendous losses owing to the fact that its market on the Continent of Europe has suddenly ceased to exist. Take again the shares of an American or Australian copper mining company. The market for copper has collapsed. The production in America has been cut down to about 25 per cent. The copper mines in Australia have been shut down. Take again the shares of a railway under construction in some new country, say the Argentine or Canada. If it is to be completed, it must have more capital. Yet Europe is the only place it can get capital from and that is now impossible. These are merely examples. But there is practically no industry in the world which is not already more or less affected by the war. In consequence every one is uncertain of every one else. Have they locked up their capital in securities, which must now inevitably fall immensely in value? If so, they may not be able to meet their engagements?

How does all this affect the ordinary depositor? He probably owns some securities. He knows they have shrunk enormously in value and he begins to cast anxious glances at his bank balance. He knows his bank invests its money in all sorts of things, advances, bills and securities, and he wonders whether they also must not have shrunk greatly in value. He wonders whether it might not be better to draw his money out. It crosses his mind that even a big joint stock bank might fail. Of course it might fail, and the one absolutely certain way to make it fail, whether in good times or bad, would be for depositors to try to withdraw their money. No bank, whether in good times or bad, can

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possibly pay out anything like all its depositors at the same time. For depositors to begin drawing out their money is an absolutely fatal and suicidal course. They have only to sit still, and their money will be perfectly safe. They have only all to try to draw it out and they will all lose it. Of course even English joint stock banks will have losses, and heavy losses; but their securities are the best in the world, and their losses will certainly not be greater than they can stand, if they can liquidate their assets at leisure. It is without doubt true to say that even to-day the total assets of all the banks, merchant bankers, and discount houses in London, i.e. all those institutions which together comprise the Money Market, a long way exceed their liabilities. What the City requires is time, and plenty of time, to work out its salvation. To try and force matters in the middle of a crisis is the most fatal of policies.

Every one in business owes and is owed money, has assets and liabilities. The whole business and financial community is tied together by the nexus of creditor and debtor. It is like a pack of cards. If one large debtor, on whom the whole community counts to pay his debts, in order that they may be able to pay theirs, "falls down," they all may do the same. One big failure may have incalculable consequences. It is like throwing a stone into the middle of a pond. The ripples widen out, until the whole surface is covered. If the crisis is a purely financial one, and proper measures are taken, confidence is not long in returning and the working of the machinery may soon be normal again. But a great war, involving the universal dislocation of trade and business relations, and an enormous destruction of wealth itself, is a very different matter. The huge dislocation of finance and commerce, the foreknowledge of the enormous resulting destruction of wealth, the complete failure of confidence are of themselves enough, even before a life has been lost or a gun fired, to bring the financial machine to a dead stop. No one knows, how he or anyone else will be affected by the war, or what his position will be at the end of it. He does

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not know if some at least of his debtors, whether in this country or abroad, will ever be able to pay him, or if so when. All business is based on the possibility of making fairly close estimates of the future, and in war no one can make any estimates. No one knows therefore who will be able to stand the strain of war, and all business is paralysed by suspicion and doubt. No one knows how much loss his existing liabilities may cause him and no one therefore wants to contract new ones. But no business can be done without contracting new liabilities, and old liabilities cannot be liquidated without continuing to do business. A thorough crisis means therefore a complete deadlock. No more striking proof of this could be found than the actual course of events in London during the last days of July and the first days in August.

II

The present crisis has come on the top of a long period of unrest and depression, unrest due to the Balkan wars, rumours of greater wars, tension in Europe, revolution in Mexico, depression due to overtrading in Canada, the Argentine, Brazil and other new countries. All this had seriously weakened some financial centres and especially Paris, though, on the other hand, it had had its good side in reducing speculation to a minimum. On the top of all this has come the staggering blow of the Austrian ultimatum to Servia and its tremendous consequences.

Such a blow the modern international system of finance is quite incapable of withstanding. You can invent no system of credit delicate and intricate enough for the world to-day, which can possibly work in a war of first-class importance as well as in peace. The consequences were immediate. In a few days practically every Stock Exchange and Bourse in the world was closed; the whole international money market was paralysed, and with it the world's foreign trade; it was impossible

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to remit money from one country to another; the Foreign Exchanges reached unprecedented figures; gold, the last form of payment possible, could not be shipped for fear of capture, and the assets of the banks in the form of loans to the Stock Exchange and the Money Market and of holdings of bills were completely immobilized; depositors began to show signs of withdrawing their deposits and of hoarding gold; and currency began to grow scarce. Fortunately, in England at any rate the public remained quite calm; immediate and drastic remedial measures have been taken, and though the City has hardly yet begun to recover from the extreme weakness of a sudden and dangerous illness into a state of convalescence, and though normal times are many months off, there is no longer reason to fear any serious relapse, provided the operations on land and sea are in the end successful for us.

It has been shown already that the basis of the great financial superstructure in the City—as in other financial centres—is formed by the numerous joint stock banks and in particular the great English joint stock banks with their millions of deposits. It has also been shown how essential it is for the banks to invest their depositors' money in liquid securities, and yet how a really severe crisis "freezes up" every kind of asset. It is necessary now to examine in more detail exactly what happens.

A very large part of their resources the banks devote necessarily to the development of industry by loans to industrial companies of every kind. These are the least liquid of their assets and in them the City itself is not directly interested. But the bulk of the remainder are utilized in the City itself, either in the Money Market in Lombard Street, or in Throgmorton Street on the Stock Exchange. In the latter cases the loans are made to stock-brokers and jobbers, and in the former to the discount houses and bill-brokers, who are the middle men of the money market. For the money market and the discount market are composed of the banks themselves, the great

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merchant bankers or accepting houses and the discount companies and bill-brokers, and it is here that the nerve centre of credit is to be found, the machinery by which the world's trade is financed.

The loans made by the banks to the Stock Exchange amount probably now to about £50,000,000 or something over, and in times of speculative activity rise much higher. The loans at call to the discount houses and bill-brokers may be estimated at not less than £100,000,000 on the security of bills of exchange, and in addition the banks have actually purchased and hold bills of exchange to the value of not far short of £200,000,000. No accurate figures are obtainable, but it is probable that these figures are not far from the truth. It is clear therefore to how great an extent the work of the City is conducted by means of the resources of the joint stock banks, and how vitally affected they must be by the stability of bill-brokers, stock-brokers, and jobbers to whom they have lent money, and of the great accepting houses, who are liable to redeem the bills of exchange, which the banks have purchased or hold as security.

It is clear too how unpleasant is the position when all these assets, these loans and bills, which the banks are accustomed to regard as only less liquid than their cash become "frozen" by a financial crisis in the manner described below. On the approach of any such crisis the banks are tempted to call up all their loans. If they call all their loans, the discount houses, the bill-brokers and the stock-brokers will be ruined, and, if they are ruined, the joint stock banks would be in little better case. Such a policy therefore as every crisis has shown is not only impracticable but suicidal. There was some indication in the recent crisis that some banks at any rate did not fully appreciate this fact.

The Stock Exchanges of the world were the first to feel the effects of the coming hurricane. As soon as the Austrian ultimatum was delivered, prices fell heavily on every Bourse

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on the Continent and in London and New York. As the crisis developed, there came from the Continent an avalanche of sales of American and international securities in the two latter markets. Quickly every Bourse on the Continent, though its doors may have not been actually closed, practically ceased working. London and New York were the only markets, in which sales could still be freely made. Prices fell more and more rapidly, and, though London played its part manfully, the growing acuteness of the crisis brought the inevitable sequel. For the first time in its history the London Stock Exchange closed its doors. New York followed suit the same day. Only in this way was universal ruin on the Stock Exchanges averted. Unless it is checked at its outset, a crisis of this character gathers speed and momentum, just as certainly as a steam engine let loose down a steep hill. In an ordinary crisis the trouble can soon be diagnosed, localized and dealt with, but an Armageddon is unfortunately not a local trouble. It has been stated already that the work of the Stock Exchange is carried on largely on money borrowed from the banks, to an extent, at this moment, of probably not less than £50,000,000. Such loans are perfectly legitimate. If there is to be a free market in stocks, jobbers must carry a "book." They cannot do this with their own capital. Accordingly they borrow from the banks. Furthermore, brokers and others borrow money against good securities, which they may be carrying for their clients. In times of rising markets, too, a great deal of money is employed to finance speculative accounts. All these loans are made against good marketable securities "on margin." Suppose, for instance, that a man has £100,000 of Consols. If the market quotation for Consols were 75, these Consols would be worth £75,000. The owner wishes to raise a loan on them. A bank will require, say for the sake of example, 10 per cent margin, which is the usual margin demanded for Stock Exchange loans. It will therefore only lend him £67,500, the margin being the security required by the bank against a possible fall in value.

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If Consols were to fall say 5 per cent, the borrower would be required to put up an extra 5 per cent of security to keep the "margin" of 10 per cent intact. It is clear, therefore, that with every fall in values on the Stock Exchange, the borrowers, i.e., the brokers and jobbers, must find more "margin." This practice is universal in the case of all Stock Exchange loans, and accordingly a general fall in prices means that an enormous sum in margins must be provided. If Stock Exchange loans were to amount to £50,000,000 and there was an all round 10 per cent fall, £5,000,000 more margin would be required. Unfortunately, too, the process is cumulative. When the borrower's liquid resources are exhausted, to reduce his loans he must sell such stock as he can, and in so doing still further forces the prices down, so that the margins of all those who have borrowed on that stock "run off" still more quickly. If he has no longer anything to sell or is at the end of his tether, the bank can then take his securities and sell them itself to repay, so far as it can, its loan. These forced sales induce a further fall, and so on. Moreover, as each broker fails, he involves in his fall all those to whom he is liable, and if the process continues unchecked, the end, as Bagehot said long ago, is simply a mass of failures and a bundle of securities. In the present crisis this process was hastened by all the world trying to sell in London and by the fact that brokers dealing with the Continent and with America were unable to get the remittances due to them owing to the paralysis of the Foreign Exchanges and the consequent impossibility of sending money from one country to another. It will be long before normal dealings can again take place on the Stock Exchange. So long as the Continent owes large sums that it cannot pay and so long as London would have to meet the selling of all the world, it will be useless to resume ordinary business. Nevertheless, if the war progresses satisfactorily, gradual steps will no doubt be taken to resume business.

By the closing of the Stock Exchange one important class of what are generally regarded as the joint stock banks'

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liquid securities was "locked up." It was impossible for them to call in their loans from brokers and jobbers. The latter can only pay if they can liquidate their holdings or borrow from elsewhere. That obviously they cannot do.

Meanwhile a parallel process was at work in the Money Market, the smooth working of which is still more vital to the country and the whole world. It is hardly too much to say that by means of the London Money Market the world's trade is financed. The commerce of the world—food-stuffs, raw materials, manufactured goods, metals, coal, oil, every conceivable requirement of civilized and uncivilized man—is being carried without ceasing over all the oceans and seas from country to country. The sellers of these goods cannot usually afford to wait for the money due to them throughout the interval, sometimes short, sometimes long, between the time when the goods are bought from the producers and shipped and the time they reach their country of destination and are sold and paid for by the consumers. The capitalist accordingly finances the goods during that period through the medium of bills of exchange, which run for an average of about three months. A full explanation of what a bill of exchange is would need an elaborate disquisition. It may suffice to liken it to a cheque, but a cheque which will not be paid for three months. Suppose A were to give B, to whom he owed money, a cheque payable three months hence. B would take it to the bank on which it is drawn. The bank, instead of cashing it, would undertake to pay it three months hence by writing its name across it. B could then sell it to C or in other words discount it with him and obtain his money, because the bank's promise to pay would be a perfectly good security and C would be sure of his money at the end of three months. At the end of that time, therefore, C takes it to the bank to be paid. A meanwhile, during the three months period, would have provided the bank with funds to meet the cheque. That is a very rough comparison with the discount market. A is the drawer of the bill, say a shipper of

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grain from New York. B is the party to whom the bill is remitted, say an American bank's agent in London, the bank is the accepting house on whom the bill is drawn and C is the discount market. A simple example from actual practice may make the comparison clearer. Suppose a grain merchant in Canada is exporting grain to England. He naturally does not wish to wait for payment until his grain is sold in England and the buyer can send him his money back. The period between the time the grain leaves Canada and the time it is sold in England must be bridged over. It is bridged over by the bill of exchange. The buyer of the grain merchant "opens a credit" with some accepting house in England in favour of the Canadian grain merchant. The latter draws a three months' bill on the accepting house for the value of the grain shipped. He sells the bill to a Canadian bank, who will buy it at a discount—representing interest for the three months. The bank will buy the bill because it has complete faith in the ability of the accepting house to meet the bill when it falls due. The bank sends it to its London branch, which presents it to the accepting house for its acceptance. It is then a complete bill, and is either held by the bank till maturity or more probably sold to the discount market. The discount market probably resells it to a joint stock bank. Meanwhile the grain is shipped to England, sold, and the proceeds paid over to the accepting house, so as to provide the means to meet the bill on maturity. London is by far the most important bill market of the world. The world pays and is paid its debts in London. London is the great mercantile clearing house. It may be that hides and rabbit skins are being sold from Australia to New York, or coffee from Brazil to Hamburg, or eggs and butter from Siberia to London, or herrings from Aberdeen to Russia, or machinery from England to South America, or cotton goods from Lancashire to India and Australia. The buyers and sellers settle up their transaction in London. It is no good an American sending American bank-notes to his creditor in

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Australia, or an Indian sending rupees to Manchester. Some international currency is needed, and after gold, by far the most common form is the bill on London bought and sold through the medium of the Foreign Exchanges. This great trade in bills is carried on by means of the capital, credit and resources of the merchant bankers, discount houses and the great banks of London. It is estimated that at any one time there are probably in the market upwards of £300,000,000 of bills for the account of nearly every country in the world. This is the sum then that is being lent by London through the bill market at any one time. A very large portion of it, no doubt the larger, is provided to finance the trade of Great Britain and the British Empire itself. But in addition to that an enormous sum is lent to other countries, and particularly to Germany and the United States. It is to enjoy the unparalleled resources of the London market that all the leading banks in the world have branches in the City, whether they be French, German, Austrian, American, South American, Canadian, Australasian, South African, Russian, Chinese, or Japanese.

The stream of bills from birth to death, through their brief life of drawing, acceptance, discount and redemption, is a never-ending procession. This great mass of bills represents the machinery by which the commercial countries of the world clear their debts to one another. If the estimate of £300,000,000 bills out at a time is taken as correct, then, within the short period of about three months, money to redeem that whole sum must be provided by those who have "accepted" these bills and, by so doing, undertaken to meet them at maturity. The "acceptors" are in the main the large private merchant bankers, and in a lesser degree the banks themselves. Obviously they do not find this great sum only out of their own resources. They can meet it, because those, whose undertakings, of whatever nature they may be and in whatever part of the world they may be carried on, have been financed by these bills, remit

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the money to redeem the bills at their maturity. In the case of true commercial bills, for instance, the money will be provided automatically by the sale of the goods, whether it is grain from Canada, cotton from India or America, rubber from Brazil and so forth. There is thus a continual process by which enormous sums of money are lent by London to the world by means of bills drawn on London, and enormous sums remitted to London to meet those bills, as they fall due. First class English bills are considered throughout the world as security of the finest and most liquid type. They are held in large amounts by many continental banks, because by merely remitting them to London for sale they can always buy gold with them; they form the second line of defence, after their actual cash, in the assets of the great British joint stock banks. They are liquid because they are so short a security and secured in great measure on some staple commodity, for which there is always a market.

This vast and delicate machinery of credit works wonderfully smoothly in normal times. But, if it is to work smoothly, the stream of remittances must continue to flow without check, and the joint stock banks must continue to purchase the bills as they come forward. A sudden stoppage, a sudden blow to credit has the same effect on the discount market as the cutting of a main cable in a great electric power system. The whole system comes to a stop. It required only two or three days, from July 28 to July 31, to paralyse the market completely.

It has already been stated that the whole monetary machine rests at bottom on the great banking resources of London, supplied by the millions of depositors. It is because the joint stock banks have deposits of £1,000,000,000, that they can hold so many millions of bills and lend so many millions more on the security of bills. Every day large quantities of bills are remitted from abroad by banks, merchants and financial agencies of all kinds to their correspondents and agents in London, nearly all of which, in one way or

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another, find their way eventually to the portfolios of the banks. It is clear then that, if the banks refuse to continue buying bills, the market must very quickly become disorganized, just as to throw a dam across a river must flood the country above it. Yet on the first sign of serious political trouble the joint stock banks naturally think of themselves. Bills may be very good security. But they are not as good as cash, when your depositors are clamouring for their balances. Accordingly the banks try immediately to make their assets as liquid as possible. They become chary of buying any more bills; and at the same time they try to call in their loans from the discount houses and bill-brokers. These latter are at once placed in a most unhappy position. They are middlemen, who hold enormous amounts of bills, partly on their own capital, but mainly on money borrowed from the banks and from financial houses. They can only repay their loans by selling their bills. If the banks refuse to buy their bills, and insist on calling their loans, they cannot but be ground between the upper and nether millstone. Their sole resource then is the Bank of England, which must in any crisis continue to discount bills freely, if the position is to be relieved. But since the Bank usually refuses all but quite short-dated bills, and rejects many bills freely dealt in on the market, and since in any case they must suffer heavy loss by the great rise in the rate of discount, an intense crisis, in which the bill-brokers' loans are called from them from every side at once, may still ruin them. If they fail, they must spread further disaster round them, just as in the case of serious failures on the Stock Exchange.

It was about July 28 that the difficulties in the discount market began. The heavy falls in prices on all Stock Exchanges, the complete disorganization of the Foreign Exchanges, and the resulting difficulty of sending any money from one country to another heralded the approach of a serious crisis. The banks no longer discounted bills, and began calling in their loans. The discount market was forced to go to the Bank of England, which discounted

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bills freely on this and the following day, discounting and lending about £14,000,000 in two days. On the following day, July 29, matters grew worse. Every one throughout the world was obviously trying to liquidate his position. The Paris Exchange fell to an unprecedentedly low figure, showing that France was drawing as much money from London as possible; the New York Exchange was enormously high in consequence of the necessity of New York remitting the very large sums of money owed by the United States to Europe as a result of the great sales of American securities; the Berlin rate, too, was very high, since Germany is a large debtor nation, particularly to us, and we were no doubt doing our best to get all the money we could from her, while no doubt she was withdrawing any balances she had in London. The exchanges, in fact, went to such figures that all quotations were nominal, and no further remittances from one country to another were possible. On July 31 the Bank rate was increased from 3 per cent to 4 per cent; gold was at a premium in Paris, where the necessity of a moratorium was already recognized; the Bank of England return showed that the reserve in proportion to liabilities had fallen from 52·4 per cent to 40 per cent. What had added to the difficulties of London in these last days had been the heavy demand from foreign countries on the balances they had in London. Before absolute paralysis was reached, no doubt a great deal of money was withdrawn.

The breakdown of the machinery of the Foreign Exchanges brought with it a new feature which would have not accompanied any purely internal crisis, and which affected England to a far greater extent than any other country for the simple reason that England is the greatest creditor nation. It may be unpleasant for a debtor to be unable to pay his debts; it is much more unpleasant for a creditor not to get them paid, especially if he is a man in a very large way of business with heavy liabilities which he must meet from day to day. The whole world owes very large sums to London. They cannot now pay them; Germany and

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Austria must wait until the war is over, and the rest of the world at any rate until the exchanges become normal and until the moratoria declared in most of the countries of the world are at an end. The accepting houses, therefore, who have accepted these hundreds of millions of bills on the condition of punctual remittances to cover them are left meanwhile to pay them out of their own resources. Consider what this means. On the estimate of £300,000,000 of bills falling due over a period of three months, nearly £4,000,000 will fall due to be paid every week-day during that period. Of course not nearly all this sum will be for account of foreign countries, because a considerable part will be in respect of goods sold to this country. Nevertheless, the universal dislocation of credit will affect the great bulk of it. It is clear that even the strongest accepting houses would find it difficult to continue to meet for many weeks out of their own resources these enormous sums. The failure of a single large accepting house is sufficient in more normal times to create a first-class crisis—witness the Baring crisis of 1890. If one great accepting house with millions of acceptances were allowed to go, it would bring down others, accepting houses, discount houses, and even banks, in its train.

The position of the accepting houses is not due to their own fault any more than it is the fault of the banks that they are never in a position to pay off all their depositors at once and that their inability to do so must become more pronounced, the more severe the crisis. You cannot possibly conduct the credit business of the world in peace, in such a way that it can withstand a universal war. Either the financing of the world's trade is to be done through London or not. If it is, then it entails responsibilities which in time of peace, owing to the essential soundness of the business, are negligible, but which must become very serious, when circumstances make it impossible for foreign debtors to meet their obligations. It does not matter who does the business. The result must be the same whether the acceptance business

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is done by private houses or joint stock banks. If it is not done at all, London will surrender its position as the financial centre of the world. If it is done, whether by accepting houses or banks, it involves in each case the same obligations.

By the evening of July 30 it was clear to those who were aware of the position that, war or no war, the crisis was now too far gone to be remedied except by means of the most drastic measures.

The next day, July 31, the day on which war between Germany and Russia became almost a certainty, was a dramatic one for the City. The London and New York Stock Exchanges closed. Very large demands were made on the Bank of England for loans and discounts, the Bank being now the only refuge which the discount market had from ruin. The Bank rate was doubled from 4 per cent to 8 per cent. Moreover on this day the crisis, which had hitherto been a City crisis, threatened to become general. There was a large demand by the public for gold at the joint stock banks and the Bank of England. Currency quickly showed signs of becoming scarce, more through apprehension than through any real want. It appeared as if the suspension of the Bank Act, by means of which an indefinite increase in the issue of bank-notes would be possible, might become inevitable.

On August 1, the political situation became hopeless; the Bank rate was raised from 8 per cent to 10 per cent, and even at this rate, representing an extremely heavy loss to all discounters, an enormous business in loans and discounts was done at the Bank of England. A large amount of gold was again withdrawn. The rates of all the great State banks on the Continent were raised. A general moratorium was declared in France, postponing the necessity for the payments of debts of every kind, and with the most drastic provisions for limiting the demands of depositors on their deposits.

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III

At the close therefore of this day, August 1, before a single shot had been fired, and before any destruction of wealth, the whole world-fabric of credit had dissolved. The Stock Exchange was closed; the discount market dead; the accepting houses unable to obtain any remittances as cover for bills falling due; the liquid assets of the joint stock banks, i.e., their Stock Exchange and Money Market loans, and their very large holdings of bills immobilized at the moment when their depositors were becoming restive; commerce at a standstill throughout the world; currency scarce; the Bank of England's resources highly strained. Such was the effect of a universal destruction of confidence. The position was one which needed immediate and drastic measures. It was impossible to say whether another day or two of such unrelieved tension might not produce very serious failures, a contingency it was necessary to avoid at all costs.

Fortunately the next day was a Sunday, and the day after that a Bank Holiday, which it was wisely decided to extend for three more days. This gave nearly a clear week for consultation between the Government and the City as to the measures to be taken to overcome the crisis and start the machinery again at work. The first measures essential in order to avoid still greater trouble were to provide a supply of currency ample for all the demands of depositors, in order to calm the public fears, and forestall the hoarding of gold, and to deal with the situation which had arisen owing to the collapse of credit and the impossibility of obtaining remittances from abroad. To meet the first difficulty the Government agreed to provide the banks with an ample supply of £1 and 10s. notes, to the extent of 20 per cent of their deposits, i.e. up to a maximum of about £200,000,000, charging them 5 per cent interest. These notes are legal tender; they have at the back of them the whole credit of the British nation,

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and, presumably, they are convertible into gold at the Bank of England. But they are not Bank of England notes, and it is to be supposed they will be withdrawn and replaced by bank-notes when the war is over. To meet the second difficulty the Government declared a moratorium, or postponement of debts for one month, applicable at first to bills of exchange and two days later made more general to cover all payments and contracts with certain specified exceptions. All those, therefore, who found themselves unable to redeem their obligations through the general suspension of credit, were given a breathing space, and all bills of exchange in the discount market accepted previous to August 4 were renewed for one month. The suspension of the Bank Act, which would enable the Bank of England to issue freely bank-notes without an equivalent sum in gold at their back, was not actually proclaimed. It was decided instead to issue new currency notes, as stated above, which are not Bank of England notes but a direct obligation of the Government. Since, however, these notes are presumably convertible into gold, and since the only gold from which they can be met is the reserve of the Bank of England, the transaction is in essence equivalent to a suspension of the Bank Act.

The Bank return of August 5 showed that the Bank had lost a good deal of gold and its reserve in proportion to liabilities had fallen from 40 per cent to 14 per cent. Since that date the situation has improved, and on August 26 the Bank held nearly £16,000,000 more gold than on August 5, the result largely of fresh importations but partly also of gold coming back from the country. In fact the amount held was actually higher than at this time last year. So long, therefore, as the public show ordinary calmness, there should be no danger to the gold reserve. Unlike most other countries England has not yet found it necessary to suspend specie payments. There is no reason, if things go well, why she should. The export of gold is not prohibited, though no doubt if the Bank found

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that there was any likelihood of large sums being exported, by which its position would be weakened, it would take precautionary measures.

It was found on Friday, August 7, when the City resumed business, that these measures, aided by the liberal facilities freely granted by the Bank of England, were sufficient to calm public apprehensions. There was no run on the banks; there was currency in the plenty, and the moratorium safeguarded, anyhow temporarily, the position of every one. The discount market was eased for the time being by being able to make loans or discounts at the Bank of England; the accepting houses were relieved from the immediate necessity of meeting all bills falling due, and the banks had been granted ample facilities by the Government in the way of currency. It was clear, however, that, while the moratorium had acted like a dose of morphia and deadened the City's agitation, some further measures were needed to galvanize it into any kind of life. The dead-weight of the enormous mass of bills, which ten days before had been looked on as gilt-edged security, hung like a millstone round the City's neck. Under the moratorium the joint stock banks were not getting their holdings of bills liquidated and, since those they already held were not being paid, they would buy no fresh ones; the discount houses could not work; they had very heavy liabilities in respect of the bills they held and of their endorsement on all bills they had sold to the banks, or to the Bank of England, and they were not willing to add to them by any more purchases; the acceptance business had come practically to a dead stop. Yet, if the whole bill-machinery of London were to stop, British trade, to say nothing of that of other countries, could not be financed. Grain was piling up in New York. Commerce was at a standstill. It was absolutely essential to resuscitate this international currency in order to finance England's exports and imports and to enable America, the Dominions and the East to resume dealings with this country. In order to relieve the situation, the Government

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took a drastic step. It authorized the Bank of England to announce that the Bank would discount under the guarantee of the Government all bills of exchange of satisfactory quality accepted before August 4, the holders of the bills being relieved of liability. In other words any institution, bank, or discount house which held any bills accepted before August 4, could sell them at once to the Bank of England and be free of all further liability on them. The British Government guaranteed at one stroke to the holders all the bills in the market amounting, if the usual estimates are correct, to over £300,000,000. The relief to the discount houses and the banks was enormous. On the other hand the liability of the accepting houses remains as before. This step was intended to enable the banks and the discount market to resume transactions at any rate in mercantile bills of exchange, drawn against actual produce shipped to this country and to enable them to meet all legitimate requirements of the country by providing them with large credit balances at the Bank of England. It is for them now to live up to their part of the bargain. It is impossible to say what is the real extent of the liability the Government has assumed. That depends largely on the extent and the result of the war. The vast proportion of bills will eventually be met. But that some debtors on the Continent will be unable to meet their engagements it is hardly possible to doubt. The Bank of England has further undertaken, when the moratorium ends, not to press for the immediate payment of all pre-moratorium bills as they fall due, but to continue to discount them indefinitely until further notice at 2 per cent above Bank rate. This is a heavy charge, but the arrangement gives the accepting houses time to liquidate gradually their obligations, as their debtors redeem their liabilities.

The terms of the Government's guarantee of the bills now in the market were not clear in all their details and many important and difficult questions had to be settled from day to day as they arose. The question, for instance, whether

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only the holder of a bill would be relieved of all liability or whether logically all English endorsers would not be released was a matter of great importance to the discount market. It appears now to have been settled by the further measures of the Government referred to below. But the enormous value of the privilege granted by the Government is seen by the fact that the Bank of England was regularly besieged every morning for some days by those who wished to discount their bills. Nor is this surprising in view of the prodigious mass of bills to be dealt with. The "other deposits" of the Bank of England, which only a month ago totalled only £42,000,000, had by Sept. 2 reached nearly £134,000,000, a wholly unprecedented figure. There seems no reason why they should not go to £200,000,000 and over. This figure is the measure of the assistance which the central Bank has given to the City and also of the floating supplies of money and credit now in the market. The bills which the banks held were, as has already been explained, "frozen" during the crisis. By the action of Government and by the thawing influence of British credit, they can now be liquidated by the simple process of taking them to the bank and discounting them. The bank so doing receives a corresponding credit in the bank's books, which it can utilize in any way it likes. It is clear, therefore, that there are now large floating supplies of bank credits—and that there will be more—which should enable the banking community to deal with every legitimate demand for financial aid.

Furthermore these supplies of money will be invaluable for the large loans which the Government must make. It is difficult at present to utilize large sums of money profitably, and Treasury bills afford an admirable means of so doing. One can observe, therefore, the curious process by which the Government lends its credit to unlock the wealth belonging to the banks, which the crisis has tied up, and the banks lend back that wealth, when it has been liquidated, to the Government. Such is the subtle, yet all-powerful effect of that credit, which not even this great war has shaken, the

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credit of the British Government. Recently the Government have taken another important step, designed to relieve still further the money market. The holders of bills having been relieved of liability, the Bank of England now undertakes to provide the acceptors with funds necessary to pay all bills accepted before August 4, by this means releasing all drawers and endorsers of their liabilities as parties to the bills. The acceptors must, of course, repay the Bank the amounts so advanced as soon as possible but repayment will not be claimed until a year after the close of the war, and till then the Bank's claim will rank after all transactions subsequent to the moratorium. The Bank will charge interest at 2 per cent above Bank Rate. Furthermore it is stated that the joint stock banks, with the co-operation, if necessary, of the Government and the Bank of England, will, under certain conditions, provide their clients with amounts necessary to pay their acceptances at maturity, where the funds have not been provided by the acceptors' clients. The upshot of the above provisions is that the capital of the accepting houses remains intact for the purposes of new business, until the end of the period specified by the Bank and until therefore the foreign clients of those houses have had an opportunity of meeting their liabilities. Owing to this fact new business will certainly be stimulated. Discount houses and banks will have no hesitation in buying new bills and so facilitating trade, while on the other hand the accepting houses whose liabilities are merely postponed and not annulled will only enter upon fresh business of a most legitimate kind. It is certain, therefore, that the demand for new bills will be greater than the supply, and in consequence discount rates are likely to fall to a very low figure.

While these measures of the Government are satisfactory, it may perhaps be suggested that the Chancellor would do well not to hurry matters too much or to think that everything can be mended at once by granting facilities all round to every one. There is a great deal of wreckage which

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can only be gradually removed. The healing process of time is as essential to the recovery of financial health as the employment of patent medicines, effective though these latter may be.

It is unnecessary to enlarge upon the vital influence of the Bank of England aided by the Government, during this crisis. That influence has been evident during every financial crisis. A strong central bank is the very pivot of our whole financial system. Without such a reservoir of credit, available when every usual source is completely dry, our banking and discount system would be impossible.

Another problem had to be dealt with, which seriously concerned the Money Market. It was pointed out in a previous article in *THE ROUND TABLE* that a war between England and Germany might necessitate the closing of the London Agencies of the German Banks. This is what happened. The three great German Banks, the Deutsche Bank, the Disconto Gesellschaft and the Dresdner Bank have for many years found it necessary to keep branches in London, as the world's financial centre. They do an active business, especially in financing German trade and accept largely bills of exchange, which are then discounted in the discount market. It is estimated that their liabilities on bills of exchange amount to between £15,000,000 and £20,000,000. As soon as war broke out, it became high treason for English firms to do business with them. Their offices were closed and it seemed doubtful whether they would be reopened. Ultimately the Government consented to their being reopened under the supervision of English accountants. They were not to undertake new business, but were to confine their activities to liquidating their assets in this country for the benefit of their English creditors. This was a wise and indeed an essential step. The £15,000,000 to £20,000,000 of bills were held in London; if the banks were closed and could not do anything to meet their obligations, it was the English holders of bills who were hurt and not the German banks, who had already had their money.

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As it is, the banks' assets in London, such as they are, can be at least utilized to pay off their English creditors as far as possible, leaving the balance to be settled after the war.

A further measure which the Bank of England has taken in order to do something to remedy the abnormal condition of the Foreign Exchanges which still prevents any proper resumption of international trade, is to arrange for the purchase of gold deposited in Canada and South Africa with the Governments of those countries to its order. It will then grant facilities in London against this gold. This measure will be invaluable to the South African gold mines. It was hoped also that New York in particular would avail itself of this arrangement, but at present the financial community there shows the greatest reluctance to send any gold away even so far as Ottawa. One of the greatest difficulties in the resumption of business at the moment is the abnormal condition of the New York Exchange. The United States owe large sums to London which they can only pay either by shipping produce or by sending gold either to London or Ottawa. They appear to be holding back produce and they refuse to ship gold, action which is not far removed from refusing to pay their debts, in fact to declaring a moratorium. Meanwhile trade between the two countries is very largely at a standstill.

Notwithstanding the above measures, supplemented by the Government's further action in undertaking 80 per cent of the war risk in marine insurance, the City is still very far from normal. It is like a man whose nervous system has been shattered by a great shock. Tonics and stimulants may save him from complete collapse, but real recovery is a matter of months and even years. The industrial and commercial worlds are still completely dislocated and the financial world cannot therefore be otherwise. There is no confidence anywhere. All that can be expected is a gradual and slow recovery. If reasonable success crowns our arms, that should be a matter of certainty. The British banking system is the soundest in the world and there can be

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no sort of danger of a collapse, provided that the public continue to show the same admirable prudence and calmness that it has shown hitherto. What is required of every one, not only the public, but the banks also, is that they should continue to act as normally as possible. The public should refuse absolutely to hoard money or make any exceptional demands on their banks; the banks, on the other hand, should freely comply with all reasonable requests. Even the suspicion of an opposite course is the most certain way towards breeding an apprehension, which is the more dangerous, the more unreasonable it is. The joint stock banks have received unconditionally the most generous and lavish aid from the Government; but that aid was not given them to enable them to emerge from the crisis without loss. It was given them for the sole purpose that they might be fit to aid in every way possible the country's trade and finance. Owing to the Government's measures they have accumulated and will accumulate huge credits at the Bank of England and this money they must be ready to lend for all legitimate purposes. It has been stated publicly by the Chancellor of the Exchequer that while in most cases their conduct has been very reasonable, in some cases they have shown reluctance to fulfil this national duty, and he has intimated that still other measures may be necessary. The trade of the country must be carried on. The banks should discount freely commercial bills, which have been drawn to finance it. Bills against produce imported into this or other allied or neutral countries are a perfectly good security, and it is the obvious duty of the banks to discount them and to aid the discount market in carrying on its legitimate functions. To do otherwise would be to injure the Government and the country. Since, too, the Stock Exchange is closed, there must be many cases where individuals and firms must be able to borrow against securities which they cannot realize. These cases, too, the banks should treat with as much liberality as possible.

The general moratorium has lately been extended for

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another month. The question of its continued extension is a difficult one. A limited moratorium there must be and it must continue for a long time, in order to cover bills of exchange and Stock Exchange loans at any rate. But a general moratorium is undoubtedly hampering to trade and probably particularly so to the small man. It is possible that, if its sphere were limited, some relief might be found by the creation of a Government lending department, after the German manner, whereby loans have been made on all sorts of securities, whether personal or otherwise, in the form of special paper, which has the same status as bank-notes. This again would be simply another means of using the Government's credit to liquidate wealth now locked up.

The question whether the Stock Exchange should or can be reopened is still more difficult. It is hardly conceivable that at such a time as this there can yet be buyers of stocks. If there are no buyers and only sellers—and sellers from other countries as well—prices would continue to fall with disastrous results. The position of the banks with regard to their Stock Exchange loans would become still more difficult, and there would undoubtedly be many failures on the Stock Exchange. Indeed, the process described earlier in this article would merely be resumed. Moreover, none of those brokers, who have dealings abroad, would be able to collect their differences from their foreign clients or obtain any remittances from abroad. Any real opening of the Stock Exchange therefore seems out of the question for the time being.

There have indeed been various schemes by which the Government's aid is to be invoked here also, but unfortunately Stock Exchange securities as a whole are of a different character from bills of exchange and it would be a very different matter to guarantee all Stock Exchange loans.

In any case it would seem but common prudence to wait for the first decisive results of the war, both by sea and land. If the Stock Exchange were open, and a really serious reverse were to be experienced, the results can be left to the

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imagination. Later, it may be possible to begin dealing in certain leading stocks for cash and it may in any case be necessary to open the Stock Exchange solely for the purpose of dealing in the new war loans.

Meanwhile it remains for the public and the financial world as well to remain calm, to carry on their businesses as actively as circumstances permit, and above all to refrain from any steps likely to lead to anything in the shape of a panic. The situation is not normal. It could hardly be expected to be. The Bank of England, backed by the Government, has enormously increased its liabilities and therefore increased the power of the other banks and the public to draw on its gold reserves. But, so long as every one is satisfied as to the soundness of the British Government's credit, there will be no danger of the reserve being unduly depleted. Gold is not wanted as currency. There are plenty of bank-notes and Treasury notes for that purpose. It could only be wanted for hoarding, and any such action should be regarded as criminally unpatriotic. So long as the risk of capture at sea is not negligible, the rates of insurance are likely to be prohibitive for the export of gold. If all risk vanishes, then gold is just as likely to be imported as exported, since the power of attraction exerted by a high Bank rate would then tend to recover some of its normal strength.

What the ultimate consequences of the war will be it is difficult for the imagination to grasp. Much depends on its duration. Yet even now it has, through its universal effects on trade and industry, touched the lives of every inhabitant of every civilized country. There is no banker, no merchant, no trader, no shopkeeper in the civilized world whose business has not been affected. There are few civilized countries, in which a moratorium, or something equivalent to it, is not now in force. In the continental countries of Europe actually at war industry is, to a large extent, at a standstill. The results on these great industrial nations cannot but be tremendous. Germany's oversea trade amounts now to

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£1,029,000,000 per annum, France's to £615,000,000, Belgium's to £326,000,000, Russia's to £275,000,000, Austria-Hungary's to £256,000,000, and the internal trade of every country is greater than its external.

If we estimate roughly that 14,000,000 men are under arms, that one man can produce £100 of wealth in a year, we have at once a direct loss of £1,400,000,000, apart altogether from any indirect loss due to the dislocation of trade and finance and the enormous number of men thrown out of work indirectly by the war.

Let no country suppose that it is going to escape the effects of this great cataclysm. The United States, it is true, may capture a great deal of trade formerly done by continental Europe. England may do the same, and, to the extent that she can do so, it will undoubtedly reduce the evil consequences upon her of the war. But no country grows rich on the poverty of other nations. It is possible that after the war there will be a short period of great activity in making good the actual necessities of industry and of civilized life. But the purchasing power of the world will have been very sensibly diminished, and it cannot be long before the enormous loss of capital will make itself felt. There is then likely to be a prolonged period of very great depression.

There is only one way by which the wealth of the world will be quickly replaced after the war and that is by work. It will be absolutely necessary that the productive capacity of the individual should increase very much compared to his capacity during the last ten years, during which it has undoubtedly been on the decline. The country whose workers show the greatest capacity for productiveness will be the country which will most rapidly recuperate.

Even now all countries, especially new countries, will have to change their mode of living. Take Canada as an example. Canada's annual balance of trade is probably about £60,000,000 against her: £30,000,000 being the excess of her trade imports over her trade exports and the remaining

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£30,000,000 representing her annual payment on money borrowed. She has balanced her account hitherto by borrowing very large sums of money. Now she will be unable to do that any longer. Nor will she at present, at any rate, obtain the immigrants on which she is counting to enable her to pay her interest. She cannot redeem the balance due by the export of gold. The burden would be too great in any case, and moreover she has suspended specie payments. A part of the balance due may be covered by the higher value of her exports, such as wheat. The remainder she can only meet either by increasing her exports or by reducing her imports. The latter she has already begun to do. Obviously therefore Canada and other new countries in the same position must re-adjust themselves to the new conditions. Until the effects of the war have passed and capital is again abundant, their progress cannot but be slower than of late years.

In THE ROUND TABLE two years ago it was urged that any nation which thinks that by determining to take no part in war it will be unaffected by its consequences was living in a fool's paradise, that the certainty of enormous material losses would never stop war, and that when the issues involved were vital to Great Britain, the cost would weigh light in the balance; it was pointed out further that London's central position in the financial world and the wonderful delicacy of her credit machinery laid it open in a great crisis to a sudden and intense strain, which might be relieved by financial measures and would certainly be relaxed by the success of our arms, but would be rendered almost certainly unbearable by our defeat at sea. The moral was drawn that the best protector of London's financial stability, and with it the financial stability of every part of the British Empire, was the British fleet. Argument is no longer needed to prove what is now self-evident.

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DIARY OF EVENTS

July 28. For some days previous to this date there had been a heavy fall of securities on all Stock Exchanges and Bourses. The London and Berlin Stock Exchanges are demoralized. The Paris Stock Exchange is practically closed except for cash dealings. Brussels, Montreal and Toronto Stock Exchanges closed. Heavy liquidation of American securities from Europe in New York. All Foreign Exchanges demoralized. Rates only nominal. Great difficulty in making any remittances from one country to another. New York Exchange rate on London rapidly rising due to heavy sales of securities from Europe. Commercial markets disorganized. Discount market in London disorganized. Heavy applications for loans and discounts to the Bank of England.

July 29. No dealings on the London Stock Exchange in morning. Seven firms default. St Petersburg Stock Exchange closed. Berlin Stock Exchange, dealings only for cash. French Rente Settlement postponed. Continental Banks withdrawing foreign balances in London. Foreign Exchanges further demoralized. New York Exchange unprecedentedly high, far above gold point. French Exchange unprecedentedly low, far below gold point. Heavy gold shipments from New York to Europe. Over £1,000,000 of gold goes to Continent from London. Berlin Exchange very high. Bank of France ceases to pay out gold. 20-franc and 5-franc notes issued.

July 30. Bank of England rate increased from 3 per cent to 4 per cent. Bank of France rate from $3\frac{1}{2}$ per cent to $4\frac{1}{2}$ per cent. National Bank of Belgium from 4 per cent to 5 per cent. Bank of Sweden from $4\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent. London Stock Exchange practically ceases working. Paris Bourse settlement postponed and necessity of moratorium recognized. Vienna Stock Exchange closed. Very heavy selling orders from Continent on London. Great fall in prices. Large withdrawals of money for Continent. All foreign exchanges nominal. All machinery for transmitting money from one country to another stopped. Gold at premium in Paris. Collapse on New York Stock Exchange. All produce markets demoralized. Bank of England return shows increase in loans and discounts of about £14,000,000 and the proportion of the reserve to liabilities falls 12 per cent. Further heavy discounting at the Bank. Discount market paralysed.

July 31. London Stock Exchange closed. Bank of England rate raised from 4 per cent to 8 per cent. Enormous demand for discounts and loans at 8 per cent to $10\frac{1}{2}$ per cent. Large demand for gold at the Bank of England and the Joint Stock Banks. Currency becomes scarce. All financial machinery at a standstill. No foreign remittances

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possible. Practically all European Bourses closed. Reichsbank rate raised from 4 per cent to 5 per cent. Bank of Denmark from 5 per cent to 6 per cent. Austro-Hungarian Bank from 5 per cent to 6 per cent. New York Stock Exchange closed.

August 1. Bank of England rate raised from 8 per cent to 10 per cent. Bank of France Rate from $4\frac{1}{2}$ per cent to 6 per cent; German Reichsbank from 5 per cent to 6 per cent. Netherlands Bank from $4\frac{1}{2}$ per cent to 6 per cent. Belgian and Danish rates from 6 per cent to 7 per cent. Enormous business in loans at the Bank of England. Moratorium declared in France. Complete and world-wide dislocation of credit. Large amount of gold withdrawn from Bank of England. Frankfurt and Johannesburg Stock Exchanges closed. Melbourne Stock Exchange closed except for cash dealings. For week ending August 1 New York ships over £5,000,000 gold to London and £2,000,000 to Paris.

August 2. Issue of Proclamation declaring moratorium in Bills of Exchange.

August 3. Bank Holiday. Bill for general moratorium passes Parliament. Bank Holiday extended for three further days.

August 7. City resumes business. Issue of £1 Treasury notes. Issue of 10s. notes being prepared. Proclamation of general moratorium. Large assistance on this and the following days given to the discount market by the Bank of England. Bank of England return shows a fall of the reserve in proportion to liabilities from 40 per cent to 14.6 per cent.

August 12. Government guarantees the Bank of England against any loss it may incur in discounting all bills accepted before August 4.

August 13. Bank of England return shows an increase in private deposits of nearly £30,000,000, and more than £40,000,000 over the return three weeks before. The proportion of the reserve to liabilities rises to 17 per cent.

By this time a more or less extended moratorium was in force in the following countries among others: France, Denmark, Norway, Bulgaria, Argentine, Brazil, Russia, Egypt, Cyprus, Italy, Sweden. In Brazil and the Argentine all banks were closed for a long period. In Canada, power to declare a moratorium has been taken by the Government. In all the great European countries, with the exception of England, and in others such as Canada, specie payments were suspended. In every country in the world with a developed banking system, a crisis of greater or less severity occurred and stringent measures of one kind or another had to be taken to deal with it.

UNITED KINGDOM

I. THE NATIONALIST VOLUNTEERS

IT would seem that Fate was bent on giving the British people a lesson. It is only by the narrowest margin that we are not now engaged in a civil as well as a foreign war. The Irish crisis grew with great rapidity during June and July. On March 9, when Mr Asquith introduced his proposals for allowing Ulster counties to vote themselves out of Home Rule for a period of six years, a basis of a compromise was in sight, for Sir Edward Carson had declared himself ready to submit the offer of the Government to Ulster "if you take your time limit away." At the end of July a conference of the leaders of the chief political parties, summoned by the King, to endeavour at the last minute to find a solution by consent, broke up almost at once, finding their views hopelessly irreconcilable, though the time limit had been tacitly abandoned.

The last number of *THE ROUND TABLE* recorded the introduction of Mr Asquith's offer to Ulster in the House of Commons, the "Fanny" gun-running coup, the so-called Army plot and the debates thereon, the final passage of the Home Rule Bill through the House of Commons, and the announcement that the Government intended to introduce an Amending Bill into the House of Lords embodying their offer of March 9, unless an agreement had been arrived at in the meantime.

Before the Amending Bill could be introduced, however, the situation had been transformed by the rise of the

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Nationalist Volunteers. The movement to create a body of volunteers in Nationalist Ireland as a make-weight to the Ulster Volunteers had been in progress for some time. It was started by a number of spirited men, most of them out of sympathy with the pledge-bound Nationalist party and its methods, with no very definite object in view. They were Home Rulers who recognized how formidable an obstacle to the passage of any Home Rule Bill the resolute organization of themselves by the Ulster Unionists had become, and who believed that the Irish of the South and West should show their desire for self-government in a manner not less resolute and self-sacrificing, rather than trust passively to party manœuvring in Parliament. They were not animated by any feeling against Ulster. It would rather seem that they had great sympathy with the determination of their northern fellow-countrymen in the last resort to take the law into their own hands. A prominent official in the organization declared that they were "non-political and non-sectarian, and will remain so," and a general order was issued to every company which ran as follows: "Irish Volunteers acting as such shall not take part in any political movement, or participate in any local government or Parliamentary election, or in any demonstration of a sectarian or political character." The movement in its first stages was as much one of national self-reliance outside the ranks of the party machine, as for any definite political objects.

At the beginning there was a good deal of antagonism between the official Nationalist party and the organizers of the National Volunteers, who refused to bow before the will of the politicians. The movement spread, however, and it became evident to both sides that it was bound to have a profound if not decisive influence on the fortunes of the Home Rule Bill. Nationalist politicians began to address and encourage the Volunteers with the result that the movement spread "like a prairie fire" and became more nationalist in character. Finally in the second week of June, Mr Redmond

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issued a manifesto in which he denied that there was any antagonism between the aims and policy of the Volunteers and the Irish party, and suggested that the then existing governing body of the Volunteers, a self-elected provisional committee composed of twenty-five members, all resident in Dublin, should be strengthened by the inclusion of twenty-five representative men from different parts of the country nominated at the instance of the Irish party and in sympathy with its aims. Though there was much heartburning over Mr Redmond's proposal among the pioneers it was adopted and the Volunteer movement and the Irish party became identified, at any rate in the public eye.

On June 10 the official estimate of the Chief Secretary for Ireland was that the Nationalist Volunteers numbered 80,000, and the Ulster Volunteers 84,000. There were also in Ireland 24,400 regular troops, and 10,460 constabulary. On July 3 the Nationalist Volunteers' own estimate of their strength was as follows:—

—	June 10	July 3
Drill Centres	630	891
Men Drilling	114,900	153,500

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The following was the field state on July 3:—

County	Centres Drilling	Total Men Drilling	County	Centres Drilling	Total Men Drilling
Antrim (with Belfast) .	25	7,500	Limerick .	66	7,500
Armagh .	27	5,400	Londonderry	20	5,700
Carlow .	12	2,400	Longford .	6	1,200
Cavan .	23	3,800	Louth .	36	5,200
Clare .	24	3,200	Mayo .	26	5,900
Cork .	29	5,700	Monaghan .	35	4,400
Donegal .	56	11,000	Meath .	24	2,800
Down .	35	6,000	Queen's Co.	18	2,700
Dublin Co. .	21	5,800	Roscommon	19	3,500
Dublin City	13	4,800	Sligo .	16	2,000
Fermanagh .	28	3,000	Tipperary .	36	6,000
Galway .	57	8,500	Tyrone .	54	8,000
Kerry .	27	5,800	Waterford .	12	3,100
Kildare .	23	3,900	Westmeath .	19	3,200
Kilkenny .	15	2,500	Wexford .	46	5,600
King's Co. .	13	2,300	Wicklow .	11	2,000
Leitrim .	19	3,100	Total .	891	153,500

No account is taken here of the Irish National Volunteers who were drilling in London, Liverpool, Sheffield, Glasgow, and other places in Great Britain, as well as in places overseas. Drilling began in earnest about February 1, 1914.

These figures greatly exaggerated the effective fighting strength of the Nationalist Volunteers. As compared with the Ulster Volunteers, who, at the end of July, were said to number 110,000, they were badly armed, and in most cases not armed at all, poorly officered, and comparatively undisciplined. They had only just begun to drill and at that time could scarcely be called in any sense an organized force. The Ulster Volunteers on the other hand were a regular

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army fully armed, well led and well supplied, and capable of making a good show in battle against a regular force.

The appearance of the Nationalist Volunteers, however, and their identification with the Irish party, produced a change in the situation precisely analogous to that created by the rise of the Ulster Volunteers. In the early days the Home Rule controversy was a Parliamentary question. The Liberals and Nationalists were in a majority and were in a position under the Parliament Act to pass into law any measure of Home Rule which could survive Parliamentary criticism and which did not rouse a public opinion violently against it. The opposition of Ulster was regarded as being largely party faction and was dismissed accordingly. It was not until the Volunteers had proved by their numbers, their organization and their discipline, how formidable they were that the Government and the Liberal party in Parliament realized that Home Rule was no longer a purely Parliamentary question, and that the Government tacitly admitted that they could not coerce Ulster into accepting Home Rule against her will. The Ulster Volunteers did what the Unionist opposition in Parliament had failed to do, they forced the Government to recognize that in any settlement of the Irish problem the opinions of the minority must be respected.

So with the Nationalist Volunteers. They dispelled the Unionist illusion that there was no demand for Home Rule as effectually as the Ulster Volunteers dispelled the Liberal illusion that there was no opposition to it. They strengthened enormously the hands of the Nationalist members in Parliament, made it increasingly difficult for the Government to grasp the nettle and impose a settlement, and finally destroyed the possibility of the success of the old-fashioned Unionist plan of maintaining the administrative and legislative union in its essentials intact. In fact, the rise of the Irish Nationalist Volunteers completed the process begun by the Ulster Volunteers. The centre of gravity in the Irish crisis was shifted from Westminster to Ireland. This was not

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immediately grasped, but its influence is apparent in the discussion of the Amending Bill in the House of Lords.

II. THE AMENDING BILL AND THE KING'S CONFERENCE

THAT Bill, representing exactly Mr Asquith's offer of March 9, was introduced into the House of Lords by Lord Crewe on June 23. In his opening speech he admitted that the Government disliked "the exclusion plan. We have always preferred the opposite solution of conferring practical autonomy and independence on Ulster as part of Ireland," a solution, however, which "the profundity of the religious difference" between North and South seemed to make "impossible." Lord Crewe continued: "This special and peculiar temper which exists in the North of Ireland, added, no doubt, to a temper of a different kind and fears of another kind founded on the contempt which some business men in the North of Ireland entertain for the capacity and character of their fellow Irishmen in the South, seems to make it imperative to propose some form of exclusion for part of Ireland, for those most affected by these fears, from the operation of the Government of Ireland Bill." It would have been more correct if he had added that it was the Ulster Volunteer forces produced by this "temper," rather than the temper itself, which had forced the Government to the policy of exclusion. Lord Crewe was careful to explain that the Amending Bill was not the last word which the Government had to say. "I fully anticipate that amendments will be moved to this measure, both numerous and, in some cases, far-reaching. I can assure your Lordships that any amendments that are moved from the benches opposite will receive the most careful and respectful consideration from us with a view to their further discussion in another place." Lord Lansdowne in reply was equally opposed to the policy of

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exclusion. "I believe that any attempt to arrive at a final settlement of the Irish question by means of the separate treatment of a part of that county is predestined to failure." He preferred the maintenance of the legislative unity of Great Britain and Ireland, but he, too, recognized that the situation had drifted beyond the control of Parliament. "The real test," he said, "of any measure which is put forward for amending the Government of Ireland Bill is not whether it will satisfy us who sit on these benches, but whether it will be sufficient for the purpose of averting Civil War." In other words, if the Ulster Volunteers had compelled the Government to abandon Home Rule for Protestant Ulster, the Nationalist Volunteers had compelled the Unionists to acquiesce in it for Catholic Ireland. The Unionist leaders decided to move no official amendments to the Home Rule Bill so far as it concerned the South. They confined their action to amendments which would avert the danger of Civil War by meeting the Ulster opposition. Accordingly these amendments were only designed to make the Amending Bill "real" and "adequate" for its professed purpose of exclusion.

It is unnecessary to follow the discussion in detail. The discussion really centred on the question of the area to be excluded. Lord Lansdowne pointed out that the Government proposal—which meant the exclusion of the four counties of Antrim, Down, Armagh and Londonderry—had been emphatically rejected by Ulster itself. He then proceeded to justify the exclusion of the whole province on two grounds: "In the first place, it is of no use for us to put forward any proposal unless it is one which the Unionists of Ulster will accept. The whole object of this Bill is to save the country from what we believe to be the imminent peril of civil strife and that we can only do by offering the Unionists of Ulster some exclusion arrangement adequate to meet their views. . . . The other criterion is this, that our arrangement should be one which will present as few administrative difficulties as may be in connection with the ex-

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cluded area." Further, in reply to the criticism that it was just as unfair to include in Ulster the counties of Cavan, Donegal and Monaghan, where 75 per cent of the population were Catholics, as to bring Ulster itself under a Dublin Parliament, it was pointed out that the excluded area was not to be created into another self-governing unit, but to be continued as at present as part of the United Kingdom under the rule of the Parliament at Westminster.

In reply, Lord Crewe once more reverted to the essential facts of the situation. the Opposition had said "that all we have to do is to consider what the Unionists of Ulster will accept. It is true, of course, that if you are to have an agreement some acceptance of, or at any rate acquiescence in, the arrangement by Ulster Unionists is necessary. But we are bound also to ask, What—again if you are to have an agreement—what will the Irish Nationalists accept? Suppose, for instance, some arrangement such as the noble Marquis inserts in the Bill were definitely not accepted by the Roman Catholic population of Ulster and by their friends in the other part of Ireland. What steps are you going to take then? Would it be right to coerce the Catholics of Ulster into the acceptance of an arrangement of this kind against their will and by force?"

Thus the whole debate in the House of Lords was overshadowed by the fundamental question what would be accepted by the two rival parties in Ireland. Meanwhile the Irish were steadily taking control of the situation. The Nationalist Volunteers continued to drill, appeals were made to American sympathizers for help in money and arms, and rifles and ammunition steadily, if slowly, accumulated in their hands. The Ulstermen put the crown upon their preparations by authorizing the provisional committee to establish a provisional government for the "Ulster area" whenever they thought it necessary. A statement was issued reaffirming that "Ulster cannot rightfully be forced into subjection to an Irish Nationalist Government, and that Ulstermen will face any extremity rather than submit to

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such a government," and stating that the Provisional Government had been authorized to take any action it thought necessary to carry out for themselves the power exercised hitherto by the Imperial Government. It further added that it would hold "the Ulster area" in trust for the constitution of the United Kingdom and with the intent that the Ulster area shall continue an integral portion thereof. On July 12 Sir Edward Carson at a great meeting at Drumbeg stated the position with unmistakable clearness. "Give us a clean cut," he said, "or come and fight us."

It was evident that the final crisis was at hand. The Ulster executive had been empowered to act, and directly it established a provisional government and attempted to assert its authority over the Nationalists in the province, bloodshed was almost certain to ensue. In these circumstances the King summoned a conference of the leaders to attempt an eleventh-hour settlement. Its members were Mr Asquith and Mr Lloyd George, Mr Bonar Law and Lord Lansdowne, Sir Edward Carson and Captain Craig, and Mr Redmond and Mr Dillon. The decisive influence of the Irish parties was shown by the fact that four out of the eight members were leaders of the Irish parties. In opening the conference the King used the following solemn words:

It is with feelings of satisfaction and hopefulness that I receive you here to-day, and I thank you for the manner in which you have responded to my summons. It is also a matter of congratulation that the Speaker has consented to preside over your meetings.

My intervention at this moment may be regarded as a new departure. But the exceptional circumstances under which you are brought together justify my action.

For months we have watched with deep misgivings the course of events in Ireland. The trend has been surely and steadily towards an appeal to force, and to-day the cry of Civil War is on the lips of the most responsible and sober-minded of my people.

We have in the past endeavoured to act as a civilizing example to the world, and to me it is unthinkable, as it must be to you, that we should be brought to the brink of fratricidal strife upon issues apparently so capable of adjustment as those you are now asked to consider, if handled in a spirit of generous compromise.

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My apprehension in contemplating such a dire calamity is intensified by my feelings of attachment to Ireland, and of sympathy with her people, who have always welcomed me with warm-hearted affection.

Gentlemen, you represent in one form or another the vast majority of my subjects at home. You also have a deep interest in my Dominions over sea, who are scarcely less concerned in a prompt and friendly settlement of this question.

I regard you, then, in this matter as trustees for the honour and peace of all.

Your responsibilities are, indeed, great. The time is short. You will, I know, employ it to the fullest advantage, and be patient, earnest, and conciliatory, in view of the magnitude of the interests at stake.

I pray that God in His infinite wisdom may guide your deliberations so that they may result in the joy of peace and honourable settlement.

The use of the words "The trend has been surely and steadily towards an appeal to force, and to-day the cry of Civil War is on the lips of the most responsible and sober-minded of my people" caused some anger in the Radical and Labour Press, who accused the King of taking the Unionist party view, and of attempting to obstruct the passage of the Home Rule Bill. This was speedily checked by the Prime Minister's statement that he had seen the King's speech before it was delivered, and that he himself might truthfully be described in those words. The attack is only important as indicating that the rank and file of the Liberal party machine had, even as late as July 20, failed to realize, what the Government had realized, that the state of affairs in Ireland was really so acute as to render the outbreak of civil war possible at any moment.

The conference failed. Its report was as follows: "The conference summoned by His Majesty the King held four meetings, on July 21, 22, 23 and 24 respectively, and the possibility of defining an area for exclusion from the operations of the Government of Ireland Bill was considered, and the conference being unable to agree either in principle or in detail upon such an area, it brought its meetings to a conclusion."

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The failure of the conference was the final proof that the centre of gravity had shifted from London to Ireland. It failed on the question of area alone and on this it was unable to agree "either in principle or in detail." It is incredible that had the Unionist and Liberal leaders alone been involved, they would have been unable to compromise on this matter, but they knew that any settlement acceptable to them must be acceptable to the Irish leaders too, if it was to have a chance of success. And the Irish leaders knew that it was no use their entering into a compromise which they could not get their followers in Ireland to accept. In the last resort it was the Ulster Volunteers and the Irish National Volunteers with whom the decision rested. And in the opinion of their leaders at any rate their views were irreconcilable. The Ulstermen would not desert their fellow covenanters in Tyrone and Fermanagh. The Nationalists would not give up any county where there was a majority of Catholics. The danger was now very great, for when two bodies of armed and drilled men cannot agree, they begin to try to win their way by force.

How lowering were the clouds was proved by the passionate outbreak which followed the landing of arms for the National Volunteers at Howth near Dublin. One thousand Volunteers marched down in open daylight to receive the arms discharged from a small yacht. Police and military met them on their way back and attempted to seize the arms. In the scuffle which ensued three volunteers, two soldiers and one policeman were wounded, but the volunteers got away with all the rifles save twenty. As the soldiers returned to barracks they were attacked by a hostile crowd which stoned them. The last ranks goaded to madness turned and fired without orders and three of the mob were killed and many were wounded. The first blood had been shed. It seemed only a question of days before another outbreak on a larger scale would occur, inflaming passion on all sides, and making agreement even more difficult.

Fate, however, intervened. By July 30 when the fateful

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second reading of the Amending Bill amended by the Lords was to have taken place in the House of Commons, every one knew that only a miracle could avert a general European war. In the "unparalleled" circumstances the Prime Minister proposed the indefinite postponement of the Bill. "It was," he said, "of vital importance in the interests of the whole world that this country, which has no interests of its own directly at stake, should present a united front and be able to speak and act with the authority of an undivided nation." Mr Bonar Law followed suit, and by the time war was declared all parties were vying to prove their determination to sink their own differences in order that the nation might play its part in the great war with no thought of division or weakness in its own ranks.

III. AN UNSOLVED PROBLEM

BUT though the Irish quarrel has been suspended, it has not been settled. It is no use disguising the fact that difficult times lie ahead. The "truce" does not mean that the Nationalists are willing to abandon the Home Rule Bill, or the Ulstermen to accept it. And the situation is immensely complicated by the fact that simple postponement seems impossible, partly because of the provisions of the Parliament Act, and partly because some settlement is necessary if the rival bodies of Volunteers are to be disbanded or enlisted for service in the European war.

This is not the time to apportion praise or blame, or to estimate who is responsible for bringing the country to the edge of civil war. But it may not be out of place to note one proposal for settlement which the events of the last three months have brought within the range of practical politics. There has always been a school of opinion, with representatives in all parties, which has urged that the proper method of settling the Irish difficulty was for the Irish leaders them-

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selves to assemble at a round table and endeavour by a process of mutual understanding and compromise to reconcile their own differences and that then the Imperial Government should embody any agreement they might reach in a Bill for self-government in Ireland, duly safeguarding Imperial interests.

In the earlier stages of the controversy the idea was distasteful to the great majority of English politicians, who regarded it as derogatory to the authority of Parliament, which was the proper body to settle such things. The rise of the Volunteers has destroyed that argument. It became patent that Parliament was powerless, and that no Act could be enforced which was opposed by either body of Volunteers. In the later stages the plan was objected to by the Irish leaders, by the Nationalists who thought they saw the way to placing the Home Rule Act on the Statute Book and would entertain no proposal which would delay or imperil that consummation, and by the Ulstermen, who, having perfected the instrument for resisting Home Rule, did not want to give any countenance to the scheme even by discussing amendments in conference.

Hence the idea often advocated, and urged with great force by the Archbishop of York during the second reading debate in the House of Lords on the Amending Bill on July 1, was never seriously entertained. But the war has changed the conditions. In the lull of party politics and under the stress of a great national danger it may be possible for reasonable views to prevail over extreme prejudices. There are many favourable omens. There is no ingrained bitterness between the rival bodies of Volunteers. They have been known to pool their funds to buy targets wherewith to improve the accuracy with which they intend in the last resort to slaughter one another. And if the Ulstermen are resolute in their determination to resist to the death the application of the present Home Rule Bill to Ulster, they have a curiously strong feeling against partitioning their country. As to the Nationalist view we may perhaps quote

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again from a speech of Mr Redmond's delivered in the House of Commons in the spring. "If," he said, "the right hon. and learned gentleman (Sir Edward Carson) would say to me, 'We both are Irishmen; we both love our country: we both hate—and, I am sure, this is absolutely true of both of us—we both hate all the old sectarian animosities, all the old wrongs, all the old memories which have kept Irishmen apart, let us come together and see what we can do for the welfare of our common country, so that we can hand down to those who come after us an Ireland more free, more peaceful, more tolerant, an Ireland less cursed by racial and religious differences'; if an appeal like that were made to us, I say, without the smallest hesitation, that there are no lengths that Nationalist Ireland would not be willing to go to assuage the fears, allay the anxieties, and remove the prejudices of their Ulster fellow countrymen."

But while the omens seem favourable, the actual process of adjustment is not easy, for the differences are deep, and there are organizations on both sides which continue to interpret compromise as concessions from their opponents without concessions in return.

CANADA*

I. THE PROVINCIAL GENERAL ELECTIONS

DURING June and July general elections were held in Ontario and Manitoba. In both Provinces the Conservative Governments were sustained. In Manitoba, however, Sir Rodmond Roblin and his colleagues narrowly escaped defeat, while in Ontario 85 out of 111 constituencies were carried by the Whitney Government. For nine years the Conservative party has held office in Ontario and for fourteen years in Manitoba. We are singularly reluctant to change governments in Canada.

In the Western Province an appeal to the people was constitutionally necessary, but in Ontario there could have been another session of the Legislature before dissolution. The Opposition declared that the Government dissolved for no other reason than to have the strength which Sir James Whitney exercises in the constituencies. For months the Prime Minister had been unable to attend to any public business. For weeks he was dangerously ill at New York and for days his death was hourly expected. Brought home to Toronto at grave risk but at his own earnest persuasion

* The contributions from the Dominions—all of which were posted before the outbreak of war—have necessarily been curtailed in order that as much space as possible might be available for that all-important topic. The sections retained in the Canadian, Australian and South African articles cover the more important political events in those three Dominions during the past quarter. The New Zealand article, which was devoted in its entirety to a review of the land question, has been held over for a future number. The December number of *THE ROUND TABLE* will contain the usual full records from all the Dominions.

The Provincial General Elections

he lay for weeks in the General Hospital. He has, however, recovered such a measure of strength and vigour that there is now no reason to think his public career has ended. It was not thought that he would appear in the contest, but a week before polling he addressed a great public meeting in Toronto without sign of physical weakness. There is no doubt that he enjoys the confidence of the Province in a remarkable degree and it is easy to understand why the Conservative party should have desired to go to the country under his leadership.

The election in Ontario turned chiefly on regulation of the liquor traffic. Mr N. W. Rowell, K.C., the Liberal leader, had declared for total abolition of the sale of liquor in bars and clubs. He would, however, permit sale in shops in such quantities as might be determined. But there could be no "treating" nor would any drinking be permitted in shop premises under licence.

The Opposition also demanded local option in taxation. This meant to give municipalities the right to increase taxes on land values. The party did not go the whole length of single tax but there was a strong flavour of Henry George in the arguments which were advanced in favour of reform in the system of taxation. Some sympathy for woman suffrage was also manifested. In the legislature the Opposition had voted solidly to give the municipal franchise to women who own property, whether married or single. And there was a disposition to go further towards equal suffrage. Bi-lingual teaching in the public schools was also a factor in the contest. The Government requires that in all schools English shall be the language of communication, that above the first form French shall be used only within the narrowest limits. This regulation is so bitterly opposed in the French school sections that Government grants have been withheld from schools in which there has been flagrant defiance of the department of education. The quarrel is racial, not religious. The Irish Roman Catholics who suffer in separate schools where the French predominate, are as

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determined as extreme Protestants that the schools shall be English. The Liberal Leader handled the issue judiciously, but perhaps not so much through an alliance with Mr Rowell as through dissatisfaction with the department of education the bulk of the French vote was cast against the Government. There were minor charges against Ministers but no serious scandals had been revealed nor any grave inefficiency in administration established. The election was determined chiefly by the attitude of the people towards prohibition and by the action of the French voters.

In Manitoba as in Ontario education and control of the liquor traffic were the chief issues in the Provincial contest. It is held by the Liberal party that there is increasing illiteracy in the province, that many of the children of "foreign" parents attend school irregularly or not at all, and that a law compelling attendance should be enacted. The demand of the *Winnipeg Free Press*, the chief Liberal journal of Western Canada, was "a school for every child and every child at school." The Liberal educational policy could not have been more clearly or more definitely expressed. But some of the "foreign" elements are opposed to a compulsory regulation and this is also the position of the Roman Catholic ecclesiastics. While there is ground for thinking that educational conditions in Manitoba have not been satisfactory it has also to be admitted that the Government has shown an increasing disposition to deal vigorously with the whole problem. The Liberal Opposition also pledged itself to pass an act for the abolition of the bar, and if approved by a majority of the electors in a referendum to give the measure effect, to refuse proprietary club licences and to prohibit the sale of liquor on public holidays, to devise a system of agricultural credit, to establish woman suffrage upon a petition of women equal to 15 per cent of the total vote cast in the Provincial election, to introduce the principle of direct legislation through the initiative and referendum; to provide for an eight hour day on all Government contracts; and to give local option in municipal

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taxation. It will thus be seen that there was a strong resemblance between the Liberal platform of Ontario and that of Manitoba. In Ontario as yet, however, there is no general demand for direct legislation, which Sir Rodmond Roblin, Premier of Manitoba, vigorously opposes as inconsistent with the British Constitutional system.

In Ontario nearly all the constituencies in which there is a considerable French population returned Liberal candidates, but in Manitoba much of the French vote was polled for the Roblin Government. So in Manitoba generally the "foreign" elements allied themselves with the Conservative party. Again, in Ontario the Orange Association, an active and powerful influence in Canada, was behind the Whitney Government; while in Manitoba the Orange body opposed Sir Rodmond Roblin. The Manitoba Premier admits that his heavy losses are explained chiefly by the defection of Orangemen who ordinarily co-operate with the Conservative party. They would not support his educational policy for the reasons which secured their support for the educational policy of Ontario. It is remarkable also that while all the ten constituencies into which Toronto is divided returned Conservative candidates, Winnipeg gave four seats to the Liberal party by decisive majorities and only two seats, in which the non-English speaking elements are formidable, to the Roblin Government.

In Ontario as in Manitoba the churches were active in support of the temperance proposals of the Liberal party. We never have had such an eruption of clerical politicians. In Ontario nine clergymen appeared as Liberal candidates or at least as opponents of the Government, but only one was elected. Many ministers spoke from their pulpits for the Opposition. Resolutions in favour of prohibition as advocated by the Liberal leader were adopted by religious conferences and conventions. Many ministers delivered addresses from the platform. The result is division in congregations and a general consideration of the relation of the pulpit to questions which divide political parties. Probably

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the common conclusion is that clergymen have as much right as other people to go upon the political platform, but that direct appeal from the pulpit in behalf of a political party is imprudent and undesirable. There is much partisan speculation as to the bearing upon federal politics of the provincial contests in Ontario and Manitoba. But nothing in our political history suggests that a provincial election foreshadows the result of a Federal contest. There is no such identity between State and Federal parties in Canada as prevails in the United States. Very often a province gives its support to a provincial Conservative Government and a Federal Liberal Government or gives a Conservative majority for the House of Commons and a Liberal majority for the Legislature. There is, therefore, no necessary significance for Sir Robert Borden in the contests in Ontario and Manitoba, nor is there any prospect of an immediate Federal general election.

II. THE NAVAL SERVICE

THE permanent naval policy of the Borden Administration has yet to be announced; signs of life, however, begin to appear in the Naval Service Department, which for the last two or three years has been in a condition of suspended animation. Recruiting for the Royal Canadian Navy was stopped soon after the change of government; the boys and men who had been entered were allowed to take their discharges; the officers and men obtained from the Royal Navy were allowed to depart as the period of their engagement terminated, and the "Niobe" and "Rainbow" were left with about men enough to keep the ships in order. The "Rainbow" is now being sent to Behring Sea to take the British part in the international patrol, and to bring her crew up to some 200—her full complement is 279—it has been found necessary to draw upon the "Niobe" and even upon the Admiralty. (The "Rainbow," it may be said

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in passing, is rather large for this sort of work, and the task has been assumed by the Canadian Navy because the Royal Navy has upon the West Coast only two ships, the sloops "Algerine" and "Shearwater," and these are occupied upon the coast of Mexico.)

Of late, two other developments of policy have been announced: the Royal Canadian Naval College is being re-organized, and the establishment of a Canadian Naval Volunteer Reserve has been authorized. The College was organized with a two years' course and the cadets attending at once were guaranteed a career in the Royal Canadian Navy and required to give their services to it on completing their education. The Royal Canadian Navy having virtually disappeared, the promised careers became uncertain, and the attendance, which at first had been encouraging, began to dwindle. The change effected is to add a year to the course, to give a more general training, and to withdraw alike the guarantee of employment and the obligation to serve. In these respects the example of the Royal Military College at Kingston has been followed; the majority of the cadets trained there enter civil life, for certain walks in which they receive an excellent preparation. The Admiralty has undertaken to grant employment to a certain number of the cadets at Halifax. The entrances have increased in number, the class about to join numbering 10. At the moment only 12 cadets are in attendance, six being due to complete their course (including the additional year) in the autumn of 1915 and six in the spring of 1916.

The Canadian Naval Volunteer Reserve is designed to procure a non-permanent naval personnel, analogous to the Militia in a land force; the political value of a force which will interest considerable numbers of the population in naval requirements and conditions may prove to be appreciable. The essential feature of the proposed force is its division into two elements: one, the utilization of yachtsmen and others who do not follow the sea for a livelihood, and the other the training for naval purposes of sailors, stokers,

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fishermen and others who earn their bread upon the waters. The former are to be organized in companies of about 100 strong; members of the professions will not be divided into companies, but will be trained on the warships, at suitable seasons of the year. An effort is to be made to use the mariners and yachtsmen of the great Lakes.

In addition to these developments, a certain amount of progress has been made in other directions. The dockyards at Halifax and Esquimalt, which for a time were in a dismal condition, are now in fair order, the former having about 150 hands continuously employed, while the latter gives work to from 50 to 100 men. The Fisheries Protective Service, with a total personnel of about 300, is being trained to certain subsidiary war services such as mine sweeping; in war conditions it would undertake the examining service. The Admiralty has relieved the Government of some embarrassment which it must have experienced with regard to some forty officers and midshipmen of the Royal Canadian Navy. Of these four are sub-lieutenants who date from before the Naval Service Act of 1910, having been trained—and well trained so far as seamanship at least is concerned—on one of the Fisheries Protection vessels; six are engineer lieutenants, some of them trained at Keyham; and thirty are midshipmen. All these are afloat in ships of the Royal Navy, the midshipmen in the West Indies squadron, the others in various vessels.

Canada. July, 1914.

AUSTRALIA

I. THE FEDERAL SITUATION

THE fate forecast for the fifth Parliament of the Commonwealth has overtaken it in less than twelve months from its first sitting. From the beginning the shadow of the "double dissolution" has lain over it, and the "test Bills," as they came to be called, the Bill for the abolition of preference to Unionists in Government employment and the Postal Voting Bill have been watched with curiosity and anxiety less because of their intrinsic interest than of the issue known to be involved in their rejection by the Senate. That body was credited with various devices for postponing or evading the issue; but eventually the Labour majority bolted, and the Senate contumeliously refused the anti-preference Bill a first reading. Though surprised by this prompt action when a policy of delay had been expected, the Government was not unprepared, and while the Opposition was calling on it to take up the challenge or acknowledge that it had been playing a game of bluff, the Cabinet was considering the terms of the Attorney-General's memorandum to His Excellency, Sir Roland Munro Ferguson, submitting the grounds upon which a request for a simultaneous dissolution of the Senate and the House of Representatives under Section 57 of the Constitution was based.

The Governor-General's decision in favour of dissolution, subject to the grant of supply, was promptly communicated

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to both Houses. The incident is important because it was the first dissolution of the Commonwealth Parliament that has taken place otherwise than by lapse of time, and it was also the first time that the definite machinery of the Constitution for dealing with collisions of the two Chambers has been used. It is also the first instance in the Empire of the dissolution of a Second Chamber.

For some time the belief had been growing, even in Ministerial circles, that after all there would be no double dissolution; that the Governor-General would refuse to act on the advice of the Ministry. The measure rejected by the Senate was not deemed to be of the first importance, the check which the Government had received came from a body to which it was not constitutionally responsible. In the House of Representatives the Government was still undefeated and was not therefore formally faced with the alternative of resignation or dissolution. On the other hand, a Government depending on the casting vote of the Speaker could not make the claim which has been familiar enough in the contests between the Chambers in Australia—that the Second Chamber was thwarting a Government and a policy for which the electorate had emphatically declared.

These considerations are relevant to the exercise of the ordinary prerogative of dissolving a Lower House, but they have little application to Section 57. In place of an historical prerogative, exercisable according to the free discretion of the representative of the Crown, simultaneous dissolution is a specific remedy designed to meet foreseen conditions. The Constitution established a Senate which embodied the Federal idea of equal representation of the States; it also provided for Cabinet Government. This was a bold experiment, as every one realized; certain risks were obvious and certain safeguards were called for. The Federal character of the Senate was secured by provisions which by protecting it against every kind of "tacking," gave it a stronger position than any second Chamber in the Empire.

The Federal Situation

The very merits of the Senate—its popular basis and its Federal character—would tend to stiffen its attitude and to make effective its resistance to any policy it disliked. But if Cabinet Government was to exist and with it responsibility to the House—upon which the Federal Convention was determined—the Senate could not be allowed indefinitely to thwart the measures of a Government which had the support of the House. The Convention, in the first instance averse to “mechanical methods,” became convinced of the practical necessity of reconciling the larger States to equal representation in the Senate and the extensive powers conferred on that Chamber. The question then became simply one of means, and, out of many schemes, that of simultaneous dissolution was finally chosen.

In these circumstances, when the conditions of Section 57 are legally fulfilled, the determination whether its powers should be exercised is a matter rather for Ministers than for the Governor-General. They are his advisers, in full possession of that authority which comes from the continued support of the Chamber to which they are constitutionally responsible; they are not in a position of suspense, like a Ministry appealing for a dissolution after defeat in the Lower House. There is, moreover, the practical consideration that if the advice of Ministers were rejected, they could hardly continue to hold office; and as *ex hypothesis* their opponents could not carry on, a dissolution of the House of Representatives would be inevitable. Now, a dissolution of the House of Representatives alone, as a consequence of the rejection of measures by the Senate, was precisely the result which the double dissolution was intended to prevent. In a word, while in the Dominions the demand for dissolution by a Ministry defeated in the Lower House has no presumption in its favour, a Governor-General of the Commonwealth, advised to exercise the power conferred on him by Section 57, acts constitutionally in subordinating any opinion

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of his own to that of his Ministers unless he is satisfied by very clear evidence that the power would be abused.

II. THE CRISIS IN TASMANIA

CONSTITUTIONAL problems are common in the political life of the Dominions, and the present year has already produced in two States situations of more than local interest.

In Tasmania, that even balance of opinion which at the present time marks Australian politics is too faithfully reflected in Parliament as a result of her system of proportional representation, and, as is the case in the Commonwealth and New South Wales, a "working majority of one" has become a thing to be prayed for. A general election held in January, 1913, gave the Liberal Ministry the generous majority of two, which they proceeded at once to squander by first making one of their party Speaker, and, then upon his death, by electing another supporter to succeed him. The by-election necessitated by Sir George Davey's death resulted in the Government losing his seat, and thus the ministerial majority not only disappeared but was changed into a minority of one on a division. Upon the new Speaker resigning, however, and a Labour member taking his place, the majority was restored, and the Government able to carry on until a discontented member of their party formally withdrew his support, when a vote of censure brought matters to a head. The Ministry thereupon asked the Governor for a dissolution, which he refused: and the Ministers tendering their resignation, the leader of the Opposition (Mr Earle) was sent for. All this was in the usual course, the refusal of a dissolution to a beaten Ministry being too common an occurrence to call for remark. Mr Earle formed a Ministry and met Parliament. Then he proceeded to make disclosures. He laid upon the table of

The Crisis in Tasmania

the House the communications which had passed between the Governor and himself both before and after his acceptance of office, and from these it appeared that His Excellency had accompanied his authority to form an administration with three conditions—first, that an immediate dissolution of Parliament should take place, secondly, that the newly elected Parliament should assemble before the end of May (the resignation took place in the first week in April), and thirdly, that in case the Attorney-General was not a “fully qualified lawyer in practice,” the Governor should be free to obtain legal advice if necessary outside the Ministry. Mr Earle at once protested against these conditions, but nevertheless proceeded to form his Ministry, and told its members of what had taken place. On taking office the Premier sent the Governor a memorandum in which he clearly set out his reasons for objecting to His Excellency’s action. He submitted (1) that the exaction of a pledge to advise a dissolution is contrary to the principle and the well-established practice regulating the conduct of Parliamentary Government, (2) that the circumstances of the case were not such as to justify the Governor in forcing a dissolution on his Ministers.

Immediately after the Premier’s communication to the House, Mr Ewing, a member of the Opposition, moved a resolution which, in respectful but unmistakable terms, condemned the Governor’s action, and provided that the protest, with a statement of the conditions which had evoked it, should be sent to the King. The motion was carried at the same sitting with a single dissentient (Sir Elliott Lewis, a former Premier), and the House adjourned till June 30.

The affair excited general interest in the Commonwealth, it being recognized that the matter was, as Mr Earle said, one of grave constitutional importance not only to the State concerned, but to all the self-governing Dominions. Opinion was all but unanimous in condemning the action of the Governor though it was expressed with varying degrees of vigour and was sometimes coupled with strong condem-

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nation of the action of Mr Earle and his colleagues in first accepting office under such conditions and then repudiating them. Indeed a condemnatory motion to this effect was submitted by the leader of the Opposition by way of addition to the resolution of protest, though it was ruled out of order by the Speaker. Mr Earle's reason for his action, that the circumstances did not justify a dissolution and that if he had refused office there would have been an immediate dissolution, not only does not meet the point of honour but amounts to a claim to hinder the exercise of a prerogative which undoubtedly belongs to the Governor, viz., that of dissolving on the advice of a Ministry which accepts responsibility for his action. The result is that the Governor is in controversy with his present advisers, and the Premier, while still holding office, finds himself in what he himself has described as the unprecedented position of accepting and supporting a resolution deprecating the action of the Governor.

Australia. June, 1914.

SOUTH AFRICA

I. THE SESSION

THE Union Parliament was prorogued on July 7, after the longest Session in its history. During the last three weeks the House of Assembly sat on five days of the week from 10.30 a.m., with only the necessary adjournments for meals, until 11 p.m. The final rush was unparalleled. The Railway Estimates were disposed of in one day, Loan Estimates, involving an expenditure of £6,000,000, in a few hours. There were several reasons for this remarkable pressure. For over two months at the beginning of the Session Parliament was occupied with the Indemnity and the Railway Strike Bills, of which an account was given in *THE ROUND TABLE* for June. This was a temporary and unavoidable obstacle to progress. Throughout the Session, however, the legislative machine was continuously clogged by the untiring and unnecessary verbiage of members. In the Budget debate more than seventy speeches were made, trivial local grievances were related at length and total irrelevancies, such as the rights of the Dutch language in Rhodesia, were freely introduced. Wilful obstruction was met by the Closure, but the Closure is no remedy for prolixity. In spite of these hindrances, by dint of much pressure and some scamping, a great deal of useful and necessary legislation was enacted and fewer Bills were ultimately dropped than in previous years.

In the last week of the Session it appeared probable that Parliament would be called on to deal with the extra-

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ordinary position which had arisen in the Transvaal Provincial Council. After the Government had disallowed an Ordinance, which fundamentally altered the Provincial Constitution and was consequently *ultra vires* under the South Africa Act, the Labour majority in the Council refused to vote supplies. In the end a deadlock was averted by the Labour members agreeing to a vote on account and an adjournment for a month. No basis of a permanent settlement is, however, in sight, and Parliamentary intervention sooner or later will be difficult to avoid. The whole question is full of difficulties and can only be discussed in a separate article.

The work of the Session in regard to remedial industrial legislation was far more profitable than at one time seemed possible. Measures dealing with Workmen's Compensation, the Protection of Workmen's Wages, Miners' Phthisis and the law of Riot were placed on the Statute Book. Legislation on all these subjects was promised by the Government after the strike of July, 1913. The first three of these Acts go far towards meeting the reasonable claims of the working classes, while by the last the interests of the public in times of industrial disturbance are sufficiently safeguarded.

The Workmen's Compensation Act is a particularly valuable attempt to face the familiar difficulties of the question. Workmen's Compensation Acts were passed in the Cape in 1905 and in the Transvaal in 1907: the former Act took away the right of claiming compensation under the common law, the latter contained a strict colour bar. Both had other defects. There was no legislation in the Orange Free State, and Natal had only an antiquated Employers' Liability Act which has been of little use to workmen. The form of the present consolidating Act is modelled on the English Act No. 5 of 1906, the provisions mainly on the Transvaal and Cape Acts. The Act applies to whites, coloured people and natives, though natives employed on mines and works will continue to receive compensation under

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the Native Labour Regulation Act of 1911. Workmen have the option of claiming compensation under the Act or under the common law. The scale of compensation is that which obtained in the Transvaal. Provision is made for medical arbitration in certain cases and for a limited contracting out of the Act in the case of old age. It was considered necessary, in view of the inexperience of many magistrates in Compensation law, to give a wide power of appeal from the decisions of magistrates on questions both of law and of fact. The definition of "workman" excludes domestic servants and agricultural labourers, except when in charge of machinery. Labour members joined with the Opposition in endeavouring to obtain an amended definition which would include both these classes. Under pressure from their supporters the Government refused to accept any amendment. The omission remains a blemish in an otherwise admirable Act, though it is unlikely that much practical hardship will result. The only other contentious point was the proposal of the Labour party to extend the benefits of the Bill to the victims of occupational diseases. Miners' phthisis, the one really widespread occupational disease, is, of course, already provided for. The Government based their refusal to deal with other diseases of this kind in this Bill on their ignorance of the extent to which they were prevalent: doubtless they will be scheduled as they become more widely known. With these exceptions the Workmen's Compensation Bill received the support of all parties.

The Workmen's Wages Protection Act has no parallel in any South African statute, although similar legislation exists in several of the Australian States and in New Zealand. The Act, which follows the Western Australian model, makes the wages due or to accrue due to any workman employed by a contractor a first charge upon any money payable by the principal to the contractor in respect of such work. The amount recoverable by any one workman is limited to £25, or one month's wages. The procedure is extremely simple. Additional clauses give workmen the

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option of claiming weekly payment from contractors and extend the main principle of the Act to the case where a contractor employs sub-contractors who themselves employ workmen. This measure was also accepted by all parties, although the Labour members would have preferred more Radical legislation on the lines of the New Zealand Act.

A Select Committee appointed early in the Session to examine the working of the Miners' Phthisis Act of 1912 made strong recommendations for amending legislation. These were embodied in an amending Bill introduced and passed late in the Session. The maximum compensation previously payable to patients in the first stage of the disease was £96. This amount has proved to be inadequate to tide men over convalescence till they could find other work and it is now increased to £200, on condition that the patient is in no circumstances again employed underground. The Phthisis Board is given discretion to make the increase retrospective. It has become clear that through native ignorance of the disease and of the legislation dealing with it, comparatively few natives have received the benefits to which they are entitled under the 1912 Act. The new Act provides for compulsory medical inspection of natives for silicosis prior to employment on the mines and at the end of every six months. Amongst a number of minor amendments of the former Act to meet administrative difficulties, the most important is a new definition of "miner" to include those surface workers who are employed near rock-crushing machines. Since the 1912 Act was passed these men have been shown to be liable to the disease. Finally, discretionary power is given to the Board to make grants in certain circumstances to persons affected by the disease before the passing of the first Miners' Phthisis Act in 1911. Under the amending Act the position of miners suffering from this disease will be very greatly ameliorated and the main causes of very frequent and justifiable complaints will be largely removed.

The Riotous Assemblies Bill was far from having the

The Session

smooth passage accorded to the last three measures. The Labour members fought every line of the Bill and on certain clauses their vehemence was as naught to the fury of the Opposition. With a free use of the Closure the Committee stage occupied an all-night sitting and three full days, and but for the eminent legal knowledge, the admirable lucidity and the unruffled good temper of Mr de Wet, the Minister of Justice, the Bill could scarcely have passed at all. The general principles of the Bill are not open to serious objection, either as bad in themselves or as unnecessary. Chapter I codifies and amends that part of the Common law and of existing statute law relating to the prohibition and the dispersal of riotous gatherings and to incitements to public violence. Slight modifications were made in Committee, principally in the reduction of the maximum penalties. Chapter II prohibits intimidation, all forms of "peaceful picketing," and breaches of contract by persons employed in public utility services. Its provisions are drastic, but the terrorism of "Benoni law," which they are designed to suppress, was not less terrible. Nor is South Africa unique in its experience on the Rand last year. In South Australia and in New Zealand similar provocation led in 1912 and 1913 respectively to similar legislation.

The fire of criticism raged round the clause empowering the Minister to order the deportation, as prohibited immigrants under the Immigrants Regulation Act of 1913, of persons sentenced to imprisonment for high treason, sedition or public violence. The relative section of the Immigrants Regulation Act exempts from deportation persons born in South Africa, for the technical reason that except by an international arrangement no country can legally deport its own nationals. The deportation clause in the Riotous Assemblies Bill was attacked as differentiating unfairly between persons born in South Africa and those born elsewhere. Racial motives were vehemently imputed and as vehemently denied, but the note of bitterness survived the debate. In the end Mr de Wet accepted an amendment

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providing that for the purposes of this clause the Immigrants Regulation Act should be construed as though the exemption of persons born in South Africa were deleted. At the same time he explained that the amendment was in practice worthless.

The debate attracted considerable attention and the issue it raised is important. In the first place, it is clear that the charge of differentiation on *racial* grounds was unfounded and it should never have been made. By reviving baseless allegations of racialism responsible party leaders do the greatest disservice both to this country and to the Empire. Secondly, it is unlikely that the power given to the Minister will be abused. It can only be exercised against a person who has been sentenced to imprisonment by a Judge and jury or a special Court of three Judges for high treason, sedition or public violence. Convictions for such crimes are at all times difficult to obtain and if in any case a sentence to imprisonment is awarded there will be a very strong presumption that it is more than merited. The decision to deport is rightly left to the Minister, who is responsible to Parliament, and not, as was proposed by an amendment, to the Judge. Finally, the Government maintained that, even if the power to deport were never exercised, its existence would be a valuable deterrent. The force of these arguments for deportation is very great. On the other hand there is a clear offence against equity and logic in the establishment of different penalties for the same crime for different classes of persons, when the distinction between those classes is merely the accident of birth and not the degree of criminality. Unless the Government were prepared to arrange for deportation all round for certain crimes, they would probably have been well advised, on this ground alone and in spite of their undoubtedly strong case, to drop the deportation clause altogether. They stood their ground, however, and carried it against a combination of parties and factions.

The Industrial Disputes and Trades Unions Bill had a chequered history. In Select Committee there was no

The Indian Settlement

unanimity and the Bill emerged, changed indeed but scarcely improved. In Committee of the House it was stoutly opposed by the Labour party and in a declining Session it was clear that the contentious clauses could not be passed. The Government accordingly cut out everything but the provisions for voluntary conciliation boards and the registration of labour bureaux. In this mutilated form the measure would have become law but for the opposition of individualists in both Houses who objected to all the stages being taken on one day. While it is to be regretted that we are left with no machinery for the establishment of conciliation boards, there is some advantage in the abandonment of the final form of the Bill. The Transvaal Act of 1909, which contains useful provisions and has had no fair trial, now remains unrepealed. On the whole, it is perhaps better that we should have to wait for a complete Bill and full discussion in another Session.

II. THE INDIAN SETTLEMENT

THE most far-reaching and the most valuable result of this crowded Session has been the Indian settlement. In the March and June numbers of *THE ROUND TABLE* the South African and the Indian points of view, the grievances of the Indians and the recommendations of the Solomon Commission were clearly and succinctly stated. The recommendations of that Commission were accepted unreservedly by the Union Government. Those requiring legislation were dealt with in the Indians Relief Bill, which was introduced and passed late in the Session. The two vital matters were the marriage difficulty and the £3 tax on indentured Indians in Natal. The Bill repealed the tax and it touched the question of marriages at three cardinal points.

(i) By amending the Immigration law to legalize the admission to South Africa of one wife of any Indian en-

South Africa

titled to live here, irrespective of the fact that their marriage was contracted according to a religion which recognizes polygamy, provided that the marriage is in South Africa *de facto* monogamous;

(ii) By giving power for the appointment of marriage officers to solemnize marriages according to the rites of an Indian religion;

And (iii) by providing for the validation by registration of such marriages according to Indian rites as are *de facto* monogamous.

The Bill met with considerable opposition, mainly from the representatives of Natal and the Orange Free State. This opposition was necessarily based more on racial and provincial prejudice than on reason. Such arguments as might have been advanced for the retention of the £3 tax had been refuted once for all by the Solomon Commission. There remained only the bogey of a native rising to secure the repeal of the hut tax and this possible danger was strenuously exploited. Speaking as head of the Native Affairs Department, the Prime Minister denied that the danger existed and he was supported by the great authority of a distinguished native Administrator, Colonel Stanford, who in the Senate emphasized the remarkable absence of sympathy between the Indians and the native races.

The deciding factor, which carried the Bill in the face of much bitter and unreasoning criticism, was the realization of Imperial difficulties in India by an increasing majority drawn from all parties. To most South Africans India is very remote and its problems unfamiliar. Recent events have brought, not, of course, an understanding of those problems, but at least a far wider sense of their immensity. The Empire has at last made a definite call and the call has been answered. The best opinion in this country was re-echoed in a speech made by Lord Gladstone at Johannesburg shortly before his departure. His Excellency said: "In South Africa I believe the Bill was an act of justice. But in the Imperial interest it was an urgent necessity. The appeal on this ground to the larger authority of the Union

The Indian Settlement

Parliament has brought about the solution which could not be found under the Provincial Governments. No one can say that the Government subordinated any true South African interest to Imperial considerations. But the Imperial responsibility was recognized and the Bill has passed into law."

At the close of the Session an important agreement was published between General Smuts and Mr Gandhi in regard to administrative matters. General Smuts undertook to adopt all the administrative recommendations of the Solomon Commission and to make certain other concessions, on the understanding that these, with the Indians Relief Act, should "constitute a complete and final settlement of the controversy . . . and be unreservedly accepted as such by the Indian community." In his reply Mr Gandhi acknowledged that the passive resistance struggle was finally closed. He pointed out, however, that the Indians still remain under serious disabilities with regard to rights of residence, trade and the ownership of land and he added: "Complete satisfaction cannot be expected until full civic rights have been conceded to the resident Indian population." This cautious reservation has not prevented Mr Gandhi from urging the loyal acceptance of the settlement on the Indian communities in all parts of the Union. Amongst certain sections of the Mohammedans the marriage legislation was not thought to go far enough, but the Indians as a whole have recognized the wisdom of Mr Gandhi's advice. There is every reason, therefore, to believe that peace for some years at least is assured. Seven years of disinterested effort and of patient suffering in the interests of his fellow-countrymen have brought Mr Gandhi their own reward. He has returned to India enjoying the devoted affection of his own race and the sincere esteem of the Europeans in South Africa. If his successors have a tithe of his ability and of his loftiness of character, the Indian community in this country will have been singularly fortunate in its leaders.

South Africa. July, 1914.

THE WHITE BOOK

ON August 5, 1914, the correspondence (Cd. 7467) respecting the European Crisis was given by the British Government to the world.

In the period covered, which is the fortnight between July 20 and August 4 last, no less than 159 communications (nearly all telegrams) passed between the British Foreign Office and the various capitals of Europe.

The number of documents in itself (they occupy seventy-seven printed pages in the Government publication) sufficiently shows the tremendous tension which marked this period.

In striking contrast to the memorandum recently published by the German Government, which, as the Literary Supplement of *The Times* of August 20 puts it, consists of a "meagre collection of actual documents with a long and impassioned impeachment of Servian and Russian policy," the correspondence published by the British Government appears without any word of comment or introduction. It is printed as it stands and left to speak for itself.

In the summary of the dispatches which is given below we have followed the example of the Government, and avoided anything in the nature of argument or criticism. It is simply an abbreviation in readable form of the official document, from which readers can draw their own conclusions.

To go to such documents as these for the ultimate causes of the war would be absurd. They are necessarily incomplete.

The White Book

With the exception of a single dispatch published at the request of the German Government in the *Westminster Gazette* of August 1 last and included in the summary given below, we have none of the correspondence between the Berlin and Vienna Cabinets.

The British White Book does not indeed pretend to cover the whole ground. One might as well ransack the correspondence which passed between Downing Street and Pretoria in 1899 over the vexed question of the Conventions in order to find the real reasons for the Boer War. To understand the real causes of this crisis, one must go far deeper. A study of modern European history such as is made in the first articles in this issue is essential. The White Book can only be understood if it is read in the light of what is there set forth.

July 20, 1914.

The correspondence begins on July 20 with record of a conversation between Sir E. Grey and the German Ambassador in London, in which the latter said he had had no news with regard to Serbia from Vienna but that "he regarded the situation as very uncomfortable." Sir E. Grey, on the other hand, had heard that the Austro-Hungarian Foreign Minister, in speaking to the Italian Ambassador in Vienna, had deprecated the suggestion that the situation was grave, though he had said "that it should be cleared up."

In answer to a remark of the German Ambassador as to the desirability of Russian mediation, Sir E. Grey assumed that "the Austrian Government would not do anything until they had first disclosed to the public their case against Serbia founded presumably upon what they had discovered at the trial." This would make it easier for others, such as Russia, to counsel moderation to the Servians. Both Sir E. Grey and the German Ambassador agreed that the idea of any great Power being dragged into a war by Serbia would be detestable.

(N.B.—Sir E. Grey's reference to "the trial" was to the judicial proceedings at Serajevo after the murder of the Austro-Hungarian Heir-Apparent on June 28 last).

July 22.

A couple of days later, on July 22, the Secretary of State for Foreign Affairs at Berlin said to the British Ambassador that "the forthcoming Austro-Hungarian *démarche* at Belgrade," which he expected had already been made, was purely a question between Austria-Hungary and Serbia, and that there should be no interference from outside in their discussions. Germany, therefore, should not, he considered, approach Austria-Hungary, who, in his opinion, had been very forbearing.

The White Book

July 23.

On the next day, July 23, the Austro-Hungarian Ambassador in London informed Sir E. Grey that a note was being sent that very day to Serbia, and promised to send him a copy of the note next day.

Sir E. Grey withheld comment until he saw the official communication, and said he would not, in any case, be able to comment at first sight. He deprecated the idea of a time limit as being akin to an ultimatum and likely to inflame Russian opinion. Its insertion at the outset made it difficult, if not impossible, to give time later. Such a limit could always be inserted later, say after a week. Russia would then be more likely to influence Serbia to send a satisfactory reply, especially if the Austro-Hungarian case were a strong one.

The Austro-Hungarian Ambassador blamed Serbia for not having voluntarily instituted an inquiry on her own territory after the murder at Serajevo. He also referred to her promise, in a note in 1909, to live on terms of good neighbourhood with Austria-Hungary and said she had stirred up agitation to disintegrate the latter. Sir E. Grey pointed out "the awful consequences involved in the situation," and the general apprehension of the nations. The possibility of using influence in St Petersburg in the direction of patience and moderation depended upon the reasonableness of Austria-Hungary and the justification for her demands. "The possible consequences of the present situation," he continued, "were terrible. If as many as four Great Powers of Europe—let us say Austria-Hungary, France, Russia and Germany—were engaged in war," it seemed to him "that it must involve the expenditure of so vast a sum of money and such an interference with trade, that a war would be accompanied or followed by a complete collapse of European credit and industry. In these days, in great industrial States, this would mean a state of things worse than that of 1848,* and irrespective of who were victors in the war, many things might be completely swept away."

The Austro-Hungarian Ambassador did not demur but said that all would depend upon Russia. Sir E. Grey hoped for direct discussion between Austria-Hungary and Russia, remarking that it took two to keep the peace just as much as to make a quarrel. The Ambassador hoped also for direct discussion, but thought the attitude in St Petersburg had lately not been very favourable.

On July 23 the Servian Minister called at the Foreign Office, and expressed the willingness of his Government "to meet any reasonable demands of Austria-Hungary so long as such demands were kept on the *terrain juridique*." He referred to the mystery and secrecy with which the inquiry at Serajevo had been conducted by Austria-Hungary. Serbia was willing to do what was required to bring plotters and assassins to book, but unwilling to allow Austrian interference in her political system or administration, or to submit to dictation on political grounds. He further said that both of the assassins of the Archduke were Austro-Hungarian subjects (Bosniaks); that one of them had been in Serbia, and that the Servian authorities had wanted to expel him but refrained on account of the attitude of the Austro-Hungarian authorities, who protected him. Sir A. Nicolson for Sir Edward Grey could not give the Servian Minister any opinion in the absence of data, but hoped that the Servian Government would try to meet the Austrian demands in a conciliatory and moderate spirit.

* The year of revolutions.

The White Book

July 23.

On this same day, July 23, the Austro-Hungarian note was delivered to the Servian Government.

After quoting the promise of Serbia in deference to the decision of the Great Powers on March 31, 1909, after the Austro-Hungarian annexation of Bosnia to modify the direction of her policy with regard to Austria-Hungary and to live on good neighbourly terms with the latter, it proceeded to make various accusations against Serbia, among other things saying that she did nothing to suppress subversive movements started in Serbia with the object of detaching part of Austro-Hungarian territory, and that she permitted criminal machinations of various societies and unrestrained language on the part of the press.

A memorandum giving the conclusions led up to by the magisterial inquiry at Serajevo was attached to the note, but none of the evidence on which those conclusions were based was sent.

Finally the Servian Government was required to accept the Austro-Hungarian demands in a form of declaration set out in the note as follows:

"The Royal Government of Serbia condemns the propaganda directed against Austria-Hungary—i.e., the general tendency of which the final aim is to detach from the Austro-Hungarian Monarchy territories belonging to it, and it sincerely deplors the fatal consequences of these criminal proceedings.

"The Royal Government regrets that Servian officers and functionaries participated in the above-mentioned propaganda and thus compromised the good neighbourly relations to which the Royal Government was solemnly pledged by its declaration of March 31, 1909.

"The Royal Government, which disapproves and repudiates all idea of interfering or attempting to interfere with the destinies of the inhabitants of any part whatsoever of Austria-Hungary, considers it its duty formally to warn officers and functionaries, and the whole population of the kingdom, that henceforward it will proceed with the utmost rigour against persons who may be guilty of such machinations, which it will use all its efforts to anticipate and suppress.

"This declaration shall simultaneously be communicated to the Royal army as an order of the day by His Majesty the King and shall be published in the 'Official Bulletin' of the Army.

"The Royal Servian Government further undertakes:

"1. To suppress any publication which incites to hatred and contempt of the Austro-Hungarian Monarchy and the general tendency of which is directed against its territorial integrity;

"2. To dissolve immediately the society styled Narodna Odbrana, to confiscate all its means of propaganda, and to proceed in the same manner against other societies and their branches in Serbia which engage in propaganda against the Austro-Hungarian Monarchy. The Royal Government shall take the necessary measures to prevent the societies dissolved from continuing their activity under another name and form;

"3. To eliminate without delay from public instruction in Serbia, both as regards the teaching body and also as regards the methods of instruction,

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everything that serves, or might serve, to foment the propaganda against Austria-Hungary;

"4. To remove from the military service, and from the administration in general, all officers and functionaries guilty of propaganda against the Austro-Hungarian Monarchy whose names and deeds the Austro-Hungarian Government reserves to itself the right of communicating to the Royal Government;

"5. To accept the collaboration in Serbia of representatives of the Austro-Hungarian Government in the suppression of the subversive movement directed against the territorial integrity of the Monarchy;

"6. To take judicial proceedings against accessories to the plot of June 28, who are on Servian territory. Delegates of the Austro-Hungarian Government will take part in the investigation relating thereto;

"7. To proceed without delay to the arrest of Major Voija Tankositch and of the individual named Milan Ciganovitch, a Servian State employé, who have been compromised by the results of the magisterial inquiry at Serajevo;

"8. To prevent by effective measures the co-operation of the Servian authorities in the illicit traffic in arms and explosives across the frontier, to dismiss and punish severely the officials of the frontier service at Schabatz and Loznica guilty of having assisted the perpetrators of the Serajevo crime by facilitating their passage across the frontier;

"9. To furnish the Imperial and Royal Government with explanations regarding the unjustifiable utterances of high Servian officials, both in Serbia and abroad, who, notwithstanding their official position, did not hesitate after the crime of June 28 to express themselves in interviews in terms of hostility to the Austro-Hungarian Government; and, finally,

"10. To notify the Imperial and Royal Government without delay of the execution of the measures comprised under the preceding heads."

The reply of Serbia was demanded at the latest by 6 o'clock on Saturday evening, July 25, viz., within 48 hours' time.

July 24:

On the following day, July 24, the increasing tension is shown by the number of communications which passed between the various capitals.

In the first place Sir E. Grey received a copy of the note which had been sent to Belgrade on the previous day.

Sir Edward Grey at once expressed to the Austro-Hungarian Ambassador his disapproval both of the form of the note and of the insertion of a time limit. He said "that if Serbia had procrastinated in replying, a time limit could have been introduced later; but, as things now stood, the terms of the Servian reply had been dictated by Austria-Hungary, who had not been content to limit herself to a demand for a reply within a limit of 48 hours from its presentation."

As to the note itself, Sir E. Grey's words were as follows: "The murder of the Archduke and some of the circumstances respecting Serbia quoted in the note aroused sympathy with Austria-Hungary, as was but natural, but at the same time I had never before seen one State address to another independent State a document of so formidable a character. Demand No. 5 would be

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hardly consistent with the maintenance of Serbia's independent sovereignty if it were to mean, as it seemed that it might, that Austria-Hungary was to be invested with a right to appoint officials who would have authority within the frontiers of Serbia."

He expressed great apprehension. Our concern would be simply and solely from the point of view of the peace of Europe. We were not concerned with the merits of the dispute between Austria-Hungary and Serbia. Doubtless we should exchange views with the Powers.

The Russian Foreign Minister took the most serious view of the Austro-Hungarian note. In his opinion the Austro-Hungarian step clearly meant war, and he immediately telephoned asking Sir G. Buchanan, the British Ambassador at St Petersburg, and the French Ambassador to meet him, drawing attention to the fact that the note only gave Serbia 48 hours. At this meeting he said he was sure Germany must have first been consulted, and that Austria-Hungary's conduct was "both provocative and immoral." Some of the demands were impossible.

The French Ambassador made it clear that France would carry out her obligations to Russia and support her diplomatically. In fact his words left the impression on our Ambassador that even if we declined to join them, France and Russia would make a strong stand. Both urged our Ambassador more than once that Great Britain should straight away declare her solidarity with Russia and France, and that we should make war more likely unless we made common cause with them from the outset. The French Ambassador further considered that Austria-Hungary had either made up her mind or was bluffing, and, whichever it might be, a firm and united stand by the three Powers of the Entente was the only chance of averting war.

M. Sazonof also pointed out that the Servian question was only part of the European question and that Great Britain could not afford to efface herself from the problem at issue. He expected that Russia would mobilize if Austria-Hungary used military measures against Serbia. Our Ambassador stated the British position in words that were the next day endorsed by Sir E. Grey by telegram. They could not, he said, expect any "declaration of solidarity from His Majesty's Government that would entail an unconditional engagement on their part to support Russia and France by force of arms. Direct British interests in Serbia were *nil*, and a war on behalf of that country would never be sanctioned by British public opinion."

He also made the following practical suggestions with a view to the preservation of peace:

- (1) An effort should at once be made to get the time limit given to Serbia by Austria-Hungary extended.
- (2) It should be ascertained how far Serbia was prepared to go to meet Austria-Hungary.

With regard to the proposed extension, the French Ambassador thought that there was no time, and that Austria-Hungary had made up her mind or was bluffing.

M. Sazonof promised to consult his colleagues upon the question of the Servian reply and added that doubtless some of the Austrian demands could be accepted by Serbia.

- (3) Upon the French and Russian representatives continuing to press for

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a British declaration of solidarity, our Ambassador said that Sir E. Grey might see his way to representing strongly to both Germany and Austria-Hungary the danger to the whole peace of Europe of an attack upon Serbia and the difficulty of Great Britain keeping out if the war became general.

Our Ambassador, in his telegram recording this conversation, referred to the absence from France of the President of the French Republic and the President of the Council, and wondered if the Austrians "purposely chose this moment to present their ultimatum."

Russia lost no time in making known her opinion of the note. The Russian Chargé d'Affaires at Vienna on this same date (July 24) said to the Austro-Hungarian Minister for Foreign Affairs that in their view "the Austrian note was drawn up in a form rendering it impossible of acceptance as it stood, and that it was both unusual and peremptory in its terms." The reply was that the Dual Monarchy felt its existence to be at stake and the Austro-Hungarian Minister was under instructions to leave Belgrade unless Austro-Hungarian demands were accepted integrally by 4 p.m. next day.

The Servian Government regarded the note as quite unacceptable, and asked our Government to induce Austria-Hungary to moderate her demands. The German Government, in a note to Sir E. Grey, strongly endorsed the Austro-Hungarian case against Serbia and pointed out that if Serbia sent an unsatisfactory reply to the note, Austria-Hungary would be obliged to use strong pressure and, if necessary, military measures, the choice having to be left to her.

The German Government emphasized its opinion that the matter was exclusively the concern of Austria-Hungary and Serbia, and urged localization "because every interference of another Power would, owing to the different treaty obligations, be followed by incalculable consequences." The German Ambassador had privately asked Sir E. Grey to use moderating influence in St Petersburg, and the latter tells the French Ambassador that he means to reply that the only chance lies in the co-operation of Germany, France, Italy and ourselves at Vienna and St Petersburg.

The French Ambassador thought that Austria-Hungary would march on Serbia after the two days mentioned in the ultimatum and then it would be too late as Russian public opinion would insist on war. Sir E. Grey said that he did not mean to say anything in St Petersburg until it was clear there would be trouble between Austria-Hungary and Russia, and that if Austria-Hungary did invade Serbia and Russia mobilized, the four Powers might still induce each to stay their hands pending mediation. The French Ambassador thought that the important thing was to gain time by mediation between Austria-Hungary and Serbia.

On the same day Sir E. Grey explained to the German Ambassador, Prince Lichnowsky, the position of the British Government.

(1) Unless the Austro-Hungarian ultimatum to Serbia led to trouble between Austria-Hungary and Russia we had no concern with it.

(2) He expressed his great apprehension of the view Russia would take of the situation.

(3) The shortness of time given by the Austro-Hungarian ultimatum, and its stiff character, made him helpless in the matter of influence at St Petersburg.

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(4) The only chance of mediative or moderating influence seemed to be that the four Powers, Germany, Italy, France and Great Britain, should work together at Vienna and St Petersburg.

(5) The immediate danger was that in a few hours Austria-Hungary might march into Serbia and Russian Slav opinion might force Russia into war.

(6) No one could influence Austria-Hungary not to precipitate military action unless Germany would propose and participate in such action at Vienna. Sir E. Grey asked that the German Secretary of State should be informed of this view.

The German Ambassador's reply was that "Austria might be expected to move when the time limit expired unless Serbia could give an unconditional acceptance of Austrian demands *in toto*." The Ambassador again "speaking privately," suggested that a negative reply must in no case be returned and that a favourable reply on some points must be sent at once "so that an excuse against immediate action might be afforded to Austria."

Sir E. Grey then wired to Belgrade, that Serbia ought to send a favourable reply on as many points as the time limit allowed, and particularly express concern and regret, subject to the French and Russian Ministers concurring in this advice.

This advice was never actually given as the Servian Government's conciliatory intentions made it unnecessary.

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Next day the tension had still further increased and the number of telegrams was even larger than on the previous day.

The Russian Foreign Minister wired to Vienna that the Austro-Hungarian note to Serbia left no time for any steps to smooth away difficulties, and pressed for an extension of the time limit "in order to prevent the consequences equally incalculable and fatal to all the powers which may result."

The situation was made "rather less acute" by the Austro-Hungarian Ambassador in London explaining that the step taken at Belgrade was a *démarche* and not an ultimatum, viz., that if Serbia did not comply, Austria-Hungary would begin "military preparations, not operations."

The French Government joins Great Britain in advising Serbia (through her Minister in Paris) to give a conciliatory reply.

The French Minister for Foreign Affairs suggests moderating advice should be given at Vienna as well as Belgrade.

Our Ambassador in St Petersburg told the Russian Foreign Minister that Austria-Hungary contemplated military preparations, not operations, and that Serbia should be advised to send a conciliatory reply.

The Russian Minister replied as follows:

(1) As to the Austro-Hungarian explanation he had different information from German quarters.

(2) The time limit in the Austrian note to Serbia expired that evening, leaving no time for advising Serbia as suggested.

(3) Serbia was quite ready to punish the guilty and to do as Sir E. Grey advised, but no independent State could accept the political demands.

(N.B.—Demand 5 seemed to involve Austro-Hungarian interference in internal administration.)

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(4) If attacked, Serbia meant to withdraw her troops from Belgrade into the interior and to appeal to the Powers.

(5) He himself approved of such an appeal and wanted the question placed on an international footing as in 1908. The Austro-Hungarian note referred to the obligation then undertaken to the Powers (not to Austria).

(6) In the event of such an appeal Russia was prepared to stand aside and leave the question in the hands of England, France, Germany and Italy.

(7) On being urged to postpone mobilization until Sir E. Grey had had time to use his influence for peace, the Russian Minister said Russia had no aggressive intentions and would not act until forced to do so.

(8) He believed Austria-Hungary's action to be aimed at Russia and at the establishment of an Austro-Hungarian hegemony in the Balkans.

(9) He did not believe Germany wished war, and considered that if we joined France and Russia there would be none.

(10) When our Ambassador said that England could mediate better as a friend, who if her advice were disregarded might become an ally, than if she at once sided with Russia, the Russian Minister said "unfortunately Germany was convinced that she could count upon our neutrality."

(11) To the suggestion that if Russia mobilized Germany would not give Russia time, but would probably declare war at once, he answered that Russia could not allow Serbia to be crushed and Austria-Hungary to become the predominant Power in the Balkans. If France stood firm Russia would face the risks of war.

(12) Unless Germany could restrain Austria-Hungary the situation was desperate.

The German Secretary of State told the British Ambassador he had immediately instructed his Ambassador at Vienna to "pass on" Sir E. Grey's suggestion for an extension of the time limit, and "to speak to" the Austro-Hungarian Minister about it. The reply was unsatisfactory. Unfortunately the Austro-Hungarian Foreign Minister was away at Ischl, and this, it was thought, meant delay and difficulty.

The German Secretary of State then made the following remarks:—

(1) He admitted freely that Austria-Hungary meant to take military action against Serbia and to give her a lesson.

(2) He further admitted that Serbia could not be expected to swallow some of the Austro-Hungarian demands.

(3) He thought it a reassuring feature that the Austro-Hungarian Foreign Minister had sent for and told the Russian representative at Vienna that Austria-Hungary did not intend to seize Servian territory.

(4) In spite of the telegrams from Russia, he did not think that by military action against Serbia, Austria-Hungary would dangerously excite public opinion in Russia, and considered the crisis could be localized.

(5) He had told Russia that the last thing Germany wanted was a general war, and he would do all he could to prevent such a general calamity.

(6) If relations between Austria-Hungary and Russia became threatening, he was quite ready to agree to the four Powers working in favour of moderation at Vienna and St Petersburg.

(7) He confessed privately "that he thought the note left much to be desired as a diplomatic document."

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(8) He repeated very earnestly that though he had been accused of knowing all about the contents of the note, he had in fact no such knowledge.

The Italian Secretary-General knew of the suggestion that the four Powers should, if necessary, work together in favour of moderation, but he considered nothing would stop Austria-Hungary but the unconditional acceptance of her note.

Our Ambassador at Rome said that there was reliable information that Austria-Hungary intended to seize the Salonica Railway.

The impression left on our Ambassador at Vienna by the Vienna newspapers was that the surrender of Serbia was neither expected nor desired. It was also officially announced that the Austro-Hungarian Minister was to leave Belgrade failing unconditional acceptance of the note by 6 p.m. that day.

The Serbian reply to the Austro-Hungarian note was delivered to the Austro-Hungarian Minister at Belgrade the same day.

In an introductory memorandum the Serbian Government, referring to the accusation that they had endeavoured to change the political and legal state of affairs created in Bosnia and Herzegovina, drew attention to the fact that no representation had been made by the Austro-Hungarian Government except one concerning a school-book. It also had expected to be invited to collaborate in the investigation of all that concerned the crime committed at Serajevo.

Nevertheless it was prepared to accept all the demands of the Austro-Hungarian Government with certain reservations necessary to their continued independence as a nation. And they are prepared to submit these points to the Hague Tribunal or to the Great Powers.

The reply, however, not being an unconditional surrender, the Austro-Hungarian Minister left Belgrade at 6.30 on this same evening. The Serbian Government had already left, and the foreign ministers were just leaving for Nisch.

Sir E. Grey endorses the statement of our Ambassador in St Petersburg, about the attitude of Great Britain. "I do not," he says, "consider that public opinion here would or ought to sanction our going to war over a Serbian quarrel. If, however, war does take place, the development of other issues may draw us into it, and I am, therefore, anxious to prevent it. The sudden, brusque, and peremptory character of the Austrian *démarche* makes it almost inevitable that in a very short time both Russia and Austria will have mobilized against each other. In this event, the only chance of peace, in my opinion, is for the other four Powers to join in asking the Austrian and Russian Governments not to cross the frontier, and to give time for the four Powers acting at Vienna and St Petersburg to try and arrange matters. If Germany will adopt this view, I feel strongly that France and ourselves should act upon it. Italy would, no doubt, gladly co-operate."

"No diplomatic intervention or mediation would be tolerated by either Russia or Austria unless it was clearly impartial and included the allies or friends of both. The co-operation of Germany would, therefore, be essential."

Sir E. Grey wires to Berlin:

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(1) The fact that the Austro-Hungarians, on the expiry of the time limit, were to commence military preparations, and not military operations, would give time before the frontier was actually crossed.

(2) We should soon have to face the mobilization of Austria-Hungary and Russia, and the only chance of peace was for the four Powers to join in asking Russia and Austria-Hungary not to cross the frontier until we had time to try and arrange matters.

(3) The German Government had stated that it had had no more than the other Powers to do with the terms of the Austro-Hungarian note though, once she had launched the note, Austria-Hungary could not draw back. The German Ambassador had given his opinion that Austria-Hungary might with dignity accept mediation between Austria-Hungary and Russia, and had also agreed with this suggestion.

(4) Our ground for interfering was that the question had become one between Austria-Hungary and Russia—we had nothing to do with a mere Austro-Hungarian-Servian quarrel—and he had impressed upon the German Ambassador that in the event of Austro-Hungarian and Russian mobilization, the participation of Germany would be essential to any diplomatic action for peace.

(5) He was prepared, if the German Government agreed to his suggestion, to tell the French Government (which could not be consulted at the moment because it was away) that he thought it the right thing to act upon it.

Instructions had been sent from St Petersburg to the Russian Ambassador at Vienna to press for time in order that the Powers might examine the data upon which the Austro-Hungarian demands on Servia were based. Possibly, Sir E. Grey suggests to our Ambassador in Vienna, the Powers might advise the Servian Government accordingly if they found that some of the Austro-Hungarian requests were well-founded. That Ambassador was to support his Russian colleague, and though the time limit in the note could not be prolonged, the Austro-Hungarians would, Sir E. Grey hoped, at any rate delay "any irretrievable steps." Sir E. Grey also expressed the hope to our Ambassadors in Paris, Berlin and St Petersburg that Germany would be able to influence the Austro-Hungarian Government to take a favourable view of the Servian reply, if it corresponded to the forecast.

The Italian Ambassador in London approved of our suggestion for the co-operation of the four Powers and made no secret of Italy's anxiety to see war avoided.

July 26.

The Servian reply was not considered satisfactory in Vienna. The Austro-Hungarian Minister had left Belgrade and war was thought to be imminent.

The attitude of the German Ambassador at Vienna was as follows:

(1) He was confident that Russia would keep quiet during the chastisement of Servia, having received assurances that no Servian territory would be annexed.

(2) The question as to whether the Russian Government would not be compelled by public opinion to intervene depended on the personality of the Russian Minister for Foreign Affairs, who could resist easily, if he chose, the

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pressure of a few newspapers. The Pan-Slav agitation in Russia, he said, was over, and Moscow perfectly quiet.

(3) Interference by Russia would probably result in many frontier questions, such as the Swedish, Polish, Ruthene, Rumanian and Persian questions being brought into the melting-pot. He doubted Russia, who had no right to assume a protectorate over Servia, acting as if she made any such claim.

(4) France was not at all in a condition for facing a war.

(5) With regard to the tone of the Austro-Hungarian ultimatum to Servia, it was impossible to speak effectively in any other way to her, and she was about to receive the lesson which she required.

(6) As to Germany, she knew very well what she was about in backing up Austria-Hungary.

(7) The Servian concessions were all a sham, and this was proved by her Government having ordered mobilization and retired from Belgrade.

The German Under-Secretary of State concluded that because the Russian Minister for Foreign Affairs in conversation said that Russia would not remain indifferent to the annexation by Austria-Hungary of bits of Servian territory, Russia would not act if Austria-Hungary did not annex territory.

The German Ambassador at Vienna was instructed to "pass on" to the Austro-Hungarian Government Sir E. Grey's hope that they would take a favourable view of the Servian reply if it corresponded to the forecast. The German Government did not, however, see their way in going beyond this, as they considered that the fact of their "passing on" this communication implied their association to a certain extent with Sir E. Grey's hope.

The Italian Government welcomed the proposal for a conference.

Sir E. Grey expressed his hope to our Ambassadors in Paris, Berlin and Rome, that the Governments to which they were accredited would instruct their representatives to meet in London in conference with the object of preventing complications. He also asked that influence should be used at Vienna and St Petersburg to suspend active military operations in the meantime.

July 27.

We now come to July 27 and there is no falling off in the volume of telegrams.

The Italian Government considered that the gravity of the situation lay in the conviction of the Austro-Hungarian Government that, after many disillusionings, it was absolutely necessary for their prestige to score a definite success in the Balkans.

The reply of the Servian Government to the Austro-Hungarian note reaches Sir E. Grey.

The Russian Ambassador in Vienna believes Austria-Hungary to be determined on war (against Servia), and Russia could not remain indifferent. He does not propose to press for more time.

The French and Russian Ambassadors in Vienna, though they expressed satisfaction at our proposal for a conference, doubted whether the Austro-Hungarian or German Government would recognize Russia as a party entitled to a say in a purely Austro-Hungarian-Servian dispute.

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Our Ambassador in Vienna records his conviction:

(1) That the Austro-Hungarian note was so drawn up as to make war with Servia inevitable.

(2) That the Austro-Hungarian Government was fully resolved to have war, and considered their position as a great Power to be at stake. He also speaks of the wild joy in the country at the prospect of war with Servia.

Sir E. Grey's proposal for a conference is accepted by the French Government, but until it is known that Germany has spoken at Vienna with some success, it would, in its opinion, be dangerous for the French, Russian and British Ambassadors to do so.

The German Secretary of State (who had previously, on July 25, agreed to the suggestion for a conference of the four less interested Powers) now says:

(1) That the proposed conference would practically amount to a court of arbitration, and could not, in his opinion, be called together except at the request of Austria-Hungary and Russia.

(2) He had heard that there was an intention on the part of the Russian and Austro-Hungarian Governments to exchange views and it would be best, before doing anything, to await the result.

(3) If Russia mobilized against Germany, Germany would have also to mobilize, and as yet Austria-Hungary was only partly mobilizing. He explained the expression "mobilizing against Germany," as meaning mobilization in the North.

(4) He considered the news from St Petersburg more hopeful.

In a conversation with the Austro-Hungarian Ambassador, the Russian Minister for Foreign Affairs pointed out that the ultimatum to Servia could not possibly be accepted as a whole, or put into immediate execution. Although some of the demands were reasonable enough, others entailed a revision of existing Servian laws, and were also incompatible with Servian dignity as an independent State. He suggested that although it would be useless for Russia to offer her good offices at Belgrade (being an object of such suspicion in Austria-Hungary), England and Italy might be willing to collaborate. The Austro-Hungarian Ambassador said he would speak to his Government.

Our Ambassador in St Petersburg tells the Russian Minister that Sir E. Grey approves of his previous statement of the attitude of the British Government.

It was wrong, he said, to suppose that the cause of peace would be promoted by our telling the German Government that they would have to deal with us as well as Russia and France, if they supported Austria-Hungary by force of arms. Their attitude would merely be stiffened by such a menace. We could only induce Germany to help by approaching her as a friend anxious to preserve peace. He asked the Russian Government to defer the mobilization ukase as long as possible, and, in any case, not to allow troops to cross the frontier even when the ukase was issued.

Our Ambassador at St Petersburg understands that the Russian Minister has proposed direct conversations between Vienna and St Petersburg on the question of modifying the Austro-Hungarian demands.

The German Government accepts the principle of mediation between Austria-Hungary and Russia by the four Powers, reserving their right as an

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ally to help Austria-Hungary if attacked. The German Ambassador also asked Sir E. Grey to use his influence in St Petersburg to localize the war. Sir E. Grey in reply pointed out:

(1) The Servian reply went further than could have been expected, and the German Secretary of State had himself agreed that there were some things in the note which Serbia could hardly be expected to accept.

(2) Sir E. Grey assumed that the Servian reply was the result of Russian conciliatory influence at Belgrade.

(3) Moderating influence was now really required at Vienna. The Servian reply could only be put aside by Austria-Hungary if she was reckless of the consequences, and it should at least be treated as a basis for discussion and pause. The German Government should, he said, urge this at Vienna.

(4) He recalled what the German Government had said as to the gravity of the situation if the war could not be localized, and pointed out that just as Germany might be drawn in to assist Austria-Hungary against Russia (because she could not afford to see Austria-Hungary crushed), so other issues might be raised that would supersede the dispute between Austria-Hungary and Serbia and bring other Powers in, and the war would be the biggest ever known; but as long as Germany would work to keep the peace, Sir E. Grey would keep closely in touch with her.

(5) Finally, he repeated his appeal to Germany to urge moderation on Vienna.

Sir E. Grey is told by the Russian Ambassador that in German and Austro-Hungarian circles the impression prevailed that in any event we should stand aside, and the Russian Ambassador deplored the effect of such an impression.

Sir E. Grey thereupon pointed out that such an impression ought to be dispelled by the orders given to the first fleet (which happened to be concentrated at Portland) not to disperse from manœuvre leave. He made it clear, however, to the Ambassador that his reference to it must not be taken to mean anything more than the promise of diplomatic action.

We had, he said, on our side heard from German and Austro-Hungarian sources that they believed Russia would take no action as long as Austria-Hungary agreed to take no Servian territory, and we could not appear more Servian than the Russians in our dealings with the German and Austro-Hungarian Governments.

The Austro-Hungarian Ambassador again describes at some length to Sir E. Grey his Government's case against Serbia and the necessity for going to war.

Sir E. Grey replied that, to use a phrase of the German Government, "the consequences would be incalculable," if Austria-Hungary found she could not make war on Serbia and at the same time satisfy Russia. The anxiety here was such that England had felt unable to let her fleet disperse, though it should have dispersed that day. The Servian reply already involved the greatest humiliation to Serbia that he had ever seen a country undergo, and it was very disappointing to see it treated as a blank negative.

The Italian Government agreed to the proposal for a conference of the four Powers in London. Italy would also recommend the suggestion warmly to the German Government that Russia, Austria-Hungary and Serbia should

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suspend military operations in the meantime, and ask what procedure the German Government proposed should be followed at Vienna.

July 28.

The next day a copy of the Austro-Hungarian note declaring war against Serbia reaches Sir E. Grey.

The French Government expresses its willingness to act in concert with our Ambassador in Germany, but considers the chance of Sir E. Grey's proposal (for mediation) being successful depends essentially on the action which the Berlin Government would be willing to take at Vienna.

The Russian Foreign Minister had on the previous day begun conversations with the Austro-Hungarian Ambassador under conditions which he hoped might be favourable. If direct explanations with the Vienna Cabinet proved impossible, he was ready to accept the British proposal for a conference in London.

His interviews with the German Ambassador had confirmed his impression that Germany was, if anything, in favour of the uncompromising attitude adopted by Austria-Hungary, and that the Berlin Cabinet could have prevented the whole crisis but appeared to be exerting no influence on their ally. Their Ambassador thought the Servian reply insufficient and he considered the attitude of the German Government most alarming.

Lastly, the Russian Minister expresses the opinion that England was in a better position than any other Power to make another attempt at Berlin to induce the German Government to take the necessary action. There was no doubt that the key of the situation was to be found at Berlin.

The Russian Minister for Foreign Affairs, who was in a very conciliatory and more optimistic mood that afternoon, promised our Ambassador at St Petersburg.

(1) To influence the Servian Government to go as far as possible in giving satisfaction to Austria-Hungary, "but her territorial integrity must be guaranteed and her rights as a sovereign State respected so that she should not become Austria-Hungary's vassal."

(2) He did not know whether Austria-Hungary would accept the friendly exchange of views proposed by him, but, if she did, he wished to keep in close contact with the other Powers during the conversations which would ensue, and again referred to the fact that the obligations undertaken by Servia in 1909 (alluded to in the Austro-Hungarian ultimatum) were given to the Powers.

(3) He had heard of Sir E. Grey's proposal for a conference of the four Powers; and when asked whether he would prefer the direct exchange of views to such a conference (the German Ambassador had expressed his personal opinion that a direct exchange of views would be more agreeable to Austria-Hungary), he said he was perfectly ready to stand aside if the Powers accepted the proposal for a conference; but he trusted that Sir E. Grey would keep in touch with the Russian Ambassador in the event of its taking place.

Austria-Hungary is left in no doubt as to the attitude of Russia.

(1) The Russian Ambassador (who had just returned from St Petersburg) assured the Austro-Hungarian Minister that if actual war broke out with

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Servia, it would be impossible to localize it, for Russia was not prepared to give way again as she had done before, especially during the annexation crisis in 1909.

(2) He earnestly hoped that something would be done before Servia was actually invaded. The Austro-Hungarian Under-Secretary told him that a skirmish had already taken place on the Danube in which the Servians had been the aggressors.

The Russian Ambassador promised to do what he could to keep the Servians quiet during any discussions.

(3) He had just heard of a satisfactory conversation the previous day between the Russian Minister for Foreign Affairs and the Austro-Hungarian Ambassador at St Petersburg.

(4) He spoke as if an understanding as to the guarantees to be given by Servia for her future good behaviour had practically been reached, and urged that the Austro-Hungarian Ambassador at St Petersburg should be given full powers to continue the discussion with the Russian Minister for Foreign Affairs, who was willing to advise Servia to yield all that could fairly be asked of her as an independent State.

The Italian Minister for Foreign Affairs doubts whether Germany will invite Austria-Hungary to suspend military action during the conference. The Minister sees no possibility of Austria-Hungary receding from any point laid down in her note to Servia. The only chance is for Servia to accept the note in its entirety.

The French Minister for Foreign Affairs quite appreciates the impossibility of the British Government declaring themselves "solidaires" with Russia on a question between Austria-Hungary and Servia, which in its present condition was not one affecting England. He also understood that Sir E. Grey could not show himself at Berlin and Vienna more Servian than the Russian Government itself. He points out that the German Ambassador, who had stated that Austria-Hungary would respect the integrity of Servia, gave no assurance when asked whether her independence would also be respected.

The German Government, though it refused the proposed conference, expressed through the Secretary of State its wish to work with the other Powers for the maintenance of general peace. Our Ambassador and his French and Italian colleagues deduced that if the Secretary of State was sincere in this wish, he could only be objecting to the form of the proposal. Our Ambassador, therefore, suggested that perhaps the German Secretary of State himself could be induced to suggest lines on which he would find it possible to work with the other Powers.

The Austro-Hungarian Minister for Foreign Affairs absolutely refuses to allow the note to Servia to be the basis of discussion.

Italy tells her Ambassadors at Vienna and Berlin to express the hope that the German Government would influence the Austro-Hungarian Government to take a favourable view of the Servian reply if it corresponded with the forecast.

The Servian Chargé d'Affaires at Rome thinks that Servia might still accept the whole Austro-Hungarian note if some explanations were given about the mode in which Austro-Hungarian agents would require to inter-

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vene under Articles 5 and 6 of the Austro-Hungarian note. It is suggested that the Powers might act as intermediaries for the purpose of advising Serbia about such conditions.

The Italian Minister for Foreign Affairs, referring to the official explanation of the grounds on which the Austro-Hungarian Government considered the Serbian reply inadequate, considered "many points besides explanation (such as slight verbal difference in sentence regarding renunciation of propaganda) quite childish," though he thought there was one point upon which the ground might be cleared, i.e. the "co-operation of Austro-Hungarian agents in Serbia was," it was said, "to be only in investigation, not in judicial or administrative measures."

Our Minister to Serbia urged the greatest moderation on the Serbian Government pending the efforts for a peaceful solution.

War is declared by Austria-Hungary on Serbia.

Sir E. Grey wires to our Ambassador in Berlin that he has correctly interpreted his idea.

(1) The suggested conference "would not be an arbitration, but a private and informal discussion to ascertain what suggestion could be made for a settlement. No suggestion would be put forward that had not previously been ascertained to be acceptable to Austria and Russia, with whom the mediating Powers could easily keep in touch through their respective allies."

(2) He entirely agrees, however, that a direct exchange of views between Austria-Hungary and Russia was the most preferable method of all.

(3) He is glad to hear from the German Ambassador that the German Government has taken action at Vienna, presumably by using moderating influence in that capital. Sir E. Grey is ready to propose that the German Secretary of State should suggest the lines upon which the principle of mediation by the four Powers should be applied, the German Government having accepted the principle. He would, however, wait to see how the direct conversations between Austria-Hungary and Russia progressed.

Sir E. Grey then wired to our Ambassador in St Petersburg his satisfaction at the prospect of a direct exchange of views between the Russian and Austro-Hungarian Governments, and his readiness to suggest any practical proposals to facilitate these.

The Russian Ambassador at Berlin is informed that in consequence of the declaration of war by Austria-Hungary against Serbia his Government will on the next day announce "mobilization in the military circumscriptions of Odessa, Kieff, Moscow and Kazan." The German Government was not to consider that Russia had any aggressive intentions against Germany, and the Russian Ambassador at Vienna had not been recalled.

The Russian Ambassador in London is informed by the Russian Government that there is no longer any chance of direct communication between Austria-Hungary and Russia; and that action by the London Cabinet in order to set on foot mediation with a view to suspension of the military operations against Serbia is now most urgent.

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Things were now approaching the crisis feared by Sir E. Grey.

Our Ambassador in Berlin is invited to an interview by the Imperial Chancellor. He said:

(1) That he wished Sir E. Grey to be informed of his anxiety that Germany should work together with England for the maintenance of general peace, as in the last European crisis.

(2) He had been unable to accept the conference proposal as he did not think it would be effective. It was too much like an "Areopagus" consisting of two Powers of each group sitting in judgment upon the two remaining Powers.

(3) He was doing his very best both at Vienna and St Petersburg to promote direct discussion in a friendly way between the two Governments, and had great hopes of the result.

(4) If, however, it was true that Russia had mobilized fourteen army corps in the south, he thought the situation very serious and it would be out of his power to continue to preach moderation on Vienna. Austria-Hungary (who as yet was only partially mobilizing) would have to take similar measures, and, if war resulted, Russia would be entirely responsible.

(5) Upon our Ambassador suggesting that Austria-Hungary's refusal to take any notice of such a moderate document as the Servian note placed some responsibility upon her, the Chancellor said that he did not wish to discuss the Servian note and that Austria-Hungary's standpoint (and in this he agreed with her) was that her quarrel with Servia was a purely Austro-Hungarian concern with which Russia had nothing to do.

(6) He reiterated his desire for co-operation with England to maintain general peace, saying "A war between the Great Powers must be avoided."

Our Ambassador quotes an opinion expressed to him that day by his Austro-Hungarian colleague that a general war was most unlikely, as Russia neither wanted nor was in a position to make war. In our Ambassador's view that opinion was shared by many people in Berlin.

The Russian Minister for Foreign Affairs states to our Ambassador that if Servia is attacked Russia will not be satisfied with any engagement which Austria-Hungary may take on the question of Servia's integrity and independence, and that an order for mobilization against Austria-Hungary will be issued on the day that Austria-Hungary crosses the Servian frontier.

The German Ambassador in St Petersburg appeals to our Ambassador to give moderating counsels to the Russian Minister for Foreign Affairs. Our Ambassador replied that he had never ceased to do so, and that the German Ambassador at Vienna should now in his turn use his restraining influence. He made it clear "that, Russia being thoroughly in earnest, a general war could not be averted if Servia were attacked by Austria."

The German Ambassador had received no instructions as regards the suggestion of a conference.

The Austro-Hungarian Government's refusal to accept the Russian proposal for settling the Austro-Hungarian-Servian conflict by means of a direct discussion at St Petersburg is announced from Vienna.

The Russian Ambassador in Vienna thought that a conference in London of the less interested Powers was now the best way of preserving peace. Until actual fighting began, all hope need not be abandoned.

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Our Ambassador in Berlin meantime had had a second interview with the German Imperial Chancellor at the latter's invitation:

(1) The Chancellor regretted that the Austro-Hungarian Government found it too late to act upon Sir E. Grey's suggestion that the Servian reply should form a basis of discussion.

(2) The Chancellor had advised Austria-Hungary (whose action, he told her, he entirely understood in the absence of sure guarantees that Serbia would give satisfaction) to declare openly that the hostilities had the exclusive object of securing such guarantees.

In a further interview the German Secretary of State, who was very depressed, said:

(1) He was not sure if his communication to Austria-Hungary of Sir E. Grey's suggestion that Serbia's reply offered a basis for discussion had not hastened the declaration of war against Serbia so as to show a *fait accompli*.

(2) He was much troubled by reports of mobilization in Russia, and of certain military measures in France, which the French Ambassador informed him only amounted to recalling officers on leave, a step which our Ambassador told Sir E. Grey the German Government had also taken, though their Secretary of State denied it.

(3) When appealed to by the French Ambassador, the Secretary of State, however, thought it possible that Austria-Hungary might be approached again when she had satisfied her military prestige.

The Russian Ambassador returned to Berlin on this same day and told the German Government of Russia's mobilization in four southern governments.

The Russian Minister for Foreign Affairs, on being told of Germany's remarks with regard to mobilization by Russia in her northern provinces, explained to our Ambassador that mobilization would only be against Austria-Hungary.

(1) He announced the refusal of the Austro-Hungarian Government to enter upon direct conversation with St Petersburg, and said he had proposed such an exchange of views with the advice of the German Ambassador. He, therefore, had proposed to the latter a return to Sir E. Grey's proposal for a conference of four Ambassadors, or at all events of the three less directly interested, Sir E. Grey, and also the Austro-Hungarian Ambassador, if he thought it advisable. "Any arrangement approved by France and England would be acceptable to him, and he did not care what form such conversations took." The only chance of averting war was to discover some formula which Austria-Hungary would accept. He hoped that if the Russian Government's efforts to maintain peace failed it would be realized by the British people that it was not its fault. He would not stand in the way if the four Powers induced Serbia to accept the Austro-Hungarian note in its entirety, provided it was acceptable to Serbia.

(2) The German Ambassador had told M. Sazonof that his Government was continuing to exert friendly influence at Vienna.

Our Ambassador is afraid that the German Ambassador would not help to smooth things over "if he uses to his own Government the same language as he did" (to him) "to-day." He accused the Russian Government of endangering the peace of Europe by her mobilization, and said, when our Ambassa-

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dor referred to all that had been recently done by Austria-Hungary, that he could not discuss such matters.

Our Ambassador then called his attention to the following facts:

(1) Austro-Hungarian consuls had warned all Austro-Hungarian subjects liable to military service to join the colours; she had already partially mobilized, and had now declared war on Servia.

(2) She knew, from what had happened at the last Balkan crisis, Russia could not submit without humiliation.

(3) If Russia had not shown by her mobilization that she was in earnest, Austria-Hungary would have believed she could go to any lengths, trading on Russia's desire for peace.

(4) The Russian Minister for Foreign Affairs had declared that Russia would not precipitate war by crossing the frontier at once, and it would take a week or more, at any rate, to complete mobilization. All should now work together to find an issue out of this dangerous situation.

Our Ambassador in Vienna despaired of the attempt to stop the war with Servia. The only chance seemed to be the conversion into a binding engagement of the Austro-Hungarian declaration at St Petersburg "that she desires neither to destroy the independence of Servia nor to acquire Servian territory." The Italian Ambassador was, however, convinced that Austria-Hungary would refuse to do this. The next news is from Rome.

(1) The telegrams from Berlin about the German Government's attitude towards a conference had been conflicting. The Italian Government's information, however, showed that the German view is against a conference, but "what creates difficulty is rather the 'Conference' than the principle."

(2) The Italian Minister for Foreign Affairs intended, by telegram to Berlin that night, to support the idea of an exchange of views in London, and would suggest that the German Secretary of State might propose the formula acceptable to his Government. Direct communication between Vienna and St Petersburg might go on at the same time.

(3) He is also informing the German Government that Italian public opinion would never pardon its Ministers unless they had taken every possible step to avoid war.

(4) He added that there seemed a difficulty in making Germany believe that Russia was in earnest. As Germany, however, was really anxious for good relations with England, if she believed that Great Britain would act with Russia and France, he thought it would have a good effect.

As Austria-Hungary would not accept any discussion on the basis of the Servian note, Sir E. Grey considers it useless for him to initiate discussion with Ambassadors in London. He suggested that the Italian Minister should himself speak at Berlin and Vienna.

Our representative at Constantinople understands that the designs of Austria-Hungary may extend considerably beyond the Sanjak, and the punitive occupation of Servian territory. He had gathered this from a remark by the Austro-Hungarian Ambassador, who spoke of the deplorable economic condition of Salonica under Greek administration, and of the assistance on which the Austro-Hungarian army could count from Mussulman population discontented with Servian rule.

The German Ambassador informed Sir E. Grey that the German

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Chancellor was trying to mediate between Vienna and St Petersburg and hoped for success. Further, that he was trying to make Vienna explain in a satisfactory form at St Petersburg the scope and extension of Austro-Hungarian proceedings in Servia. In reply Sir E. Grey stated that he would press no proposal as long as there was a prospect of a direct agreement between Austria-Hungary and Russia, but that he had received information that morning that the Austro-Hungarian Government had declined the suggestion of the Russian Government that direct discussion should take place at St Petersburg; that the press correspondents at St Petersburg had been told that the Russian Government would mobilize; that though the German Government had expressed themselves as favourable in principle to mediation between Russia and Austria-Hungary, if necessary, they seemed to think "the particular method of conference consultation, or discussion, or even conversations *a quatre* in London too formal a method"; that they themselves "should suggest any method by which the influence of the four Powers could be used together to prevent war between Austria and Russia." "France agreed, Italy agreed. In fact, mediation was ready to come into operation by any method that Germany thought possible if only Germany would press the button in the interests of peace."

Sir E. Grey gave the German Ambassador a copy of the telegram containing the Italian suggestion that there was a misunderstanding with regard to the co-operation of Austro-Hungarian agents in Servia, which, it was stated, was to be only in investigation and not in judicial or administrative measures; and of Sir E. Grey's reply that it was impossible for him to initiate discussions, as Austria-Hungary would not accept any discussion on the basis of the Servian note. There appeared, however, to be a method by which, if the Powers were allowed to have any say in the matter, they might be able to bring about complete satisfaction to Austria-Hungary, though, for the reasons stated above, Sir E. Grey could only hand on what the Italian Minister had said to the German Ambassador. Mediation, however, could not (Sir E. Grey added) simply consist in urging Russia to stand on one side while Austria-Hungary did what she liked. When the German Ambassador said that Austria-Hungary could not be humiliated, Sir E. Grey added that it was really a question of how far Austria-Hungary meant to push the humiliation of others. She might press things so far as to involve the humiliation of Russia. As to the question of taking any Servian territory, Austria-Hungary might, he added, leave nominal Servian independence, and yet turn Servia practically into a vassal State which would affect the whole position of Russia in the Balkans. "When there was danger of European conflict it was impossible to say who would not be drawn into it."

The German Chancellor asked our Ambassador to call upon him and after expressing his fear that "should Austria-Hungary be attacked by Russia a European conflagration might become inevitable, owing to Germany's obligations as Austria-Hungary's ally, in spite of his continued efforts to maintain peace, he then proceeded to make the following strong bid for British neutrality":

(1) He assumed that the main principle governing British policy was that Great Britain would not allow France to be crushed. He said that that was

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not the object at which Germany aimed. "Provided that neutrality of Great Britain were certain, every assurance would be given to the British Government that the Imperial Government aimed at no territorial acquisitions at the expense of France should they prove victorious in any war that might ensue."

(2) When asked about the French Colonies, he said that he was unable to give a similar undertaking in that respect.

(3) He offered to give an assurance to respect the integrity of the Netherlands as long as Germany's adversaries respected their integrity and neutrality.

(4) It depended upon the action of France what operations Germany might be forced to enter upon in Belgium, but when the war was over Belgian integrity would be respected if she had not sided against Germany.

(5) He had always aimed at an understanding with England, and he trusted that these assurances would prove the basis of that understanding. He had in mind a general neutrality agreement between England and Germany.

On being asked by the Chancellor how he thought this request would appeal to Sir E. Grey, our Ambassador said that he did not think it probable that at this stage of events the latter would care to bind himself.

The same day Sir E. Grey made clear to the French Ambassador the position of Great Britain:

(1) He meant to tell the German Ambassador that day "that he must not be misled by the friendly tone of our conversations into any sense of false security that we should stand aside if all the efforts to preserve peace, which we were now making in common with Germany, failed."

(2) Public opinion in Great Britain approached the present crisis from a different point of view to that taken during the difficulty in Morocco a few years ago. In the case of Morocco France was primarily interested in the dispute, and Germany seemed to be fastening a quarrel upon her with the object of crushing her. The question was, further, the subject of a special agreement between France and Great Britain. "In the present case the dispute between Austria and Serbia was not one in which we felt called to take a hand. Even if the question became one between Austria and Russia, we should not feel called upon to take a hand in it. . . ." "If Germany became involved and France became involved, we had not made up our minds what we should do. It was a case that we should have to consider. France would then have been drawn into a quarrel which was not hers, but in which, owing to her alliance, her honour and interest obliged her to engage. We were free from engagements, and we should have to decide what British interests required us to do."

The French Ambassador's reply was that he perfectly understood, and he seemed quite prepared for Sir E. Grey's announcement. "He said French opinion was calm but decided. He anticipated a demand from Germany that France would be neutral while Germany attacked Russia. This assurance France, of course, could not give; she was bound to help Russia if Russia was attacked."

In the afternoon Sir Edward pointed out to the German Ambassador that the hope of direct conversations between Vienna and St Petersburg had disappeared in view of the Austro-Hungarian declaration of war against

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Servia, and it was more important than ever that Germany should take up what he had that morning suggested, and propose some method by which the four Powers should be able to work together to keep the peace of Europe. The Russian Government were desirous of mediation but regarded it as a condition that the military operations against Servia should be suspended.

Sir E. Grey considered that, even though all such operations could not be suspended and though Austria-Hungary refused to evacuate occupied territory until she received satisfaction from Servia, some mediation would be possible if she stated that she would not advance further pending an effort of the Powers to mediate between her and Russia.

Sir E. Grey next explains our position to the German Ambassador in the following words:

"I wished to say to him, in a quite private and friendly way, something that was on my mind. The situation was very grave. While it was restricted to the issues at present actually involved we had no thought of interfering in it. But if Germany became involved in it, and then France, the issue might be so great that it would involve all European interests; and I did not wish him to be misled by the friendly tone of our conversation—which I hoped would continue—into thinking that we should stand aside."

The German Ambassador said that he quite understood this, but he asked whether Sir E. Grey meant that we should in certain circumstances intervene. The latter, while disclaiming any wish to use anything like a threat, gave the following reply:

"There would be no question of our intervening if Germany was not involved, or even if France was not involved. But we knew very well that, if the issue did become such that we thought British interests required us to intervene, we must intervene at once, and the decision would have to be very rapid, just as the decisions of other Powers had to be. I hoped that the friendly tone of our conversations would continue as at present, and that I should be able to keep as closely in touch with the German Government in working for peace. But if we failed in our efforts to keep the peace, and if the issue spread so that it involved practically every European interest, I did not wish to be open to any reproach from him that the friendly tone of all our conversations had misled him or his Government into supposing that we should not take action, and to the reproach that, if they had not been so misled, the course of things might have been different." The German Ambassador took no exception to what Sir E. Grey said; indeed, he told him that it accorded with what he had already given in Berlin as his view of the situation.

The Austro-Hungarian Ambassador disclaims to Sir E. Grey any idea of territorial aggrandisement and says that Austria-Hungary only wishes to make sure that her interests are safeguarded. Thereupon, Sir E. Grey points out, as he had already done to the German Ambassador, that it would be possible to turn Servia into a sort of vassal State without taking away any of her territory. The Austro-Hungarian Ambassador deprecates this and says that before the Balkan War, Servia had always been regarded as being in the Austria-Hungary sphere of influence.

The Italian Ambassador in London told Sir E. Grey that the German objections to the mediation of the four Powers (a mediation strongly favoured by Italy) might be removed by some change in the form of procedure.

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Sir E. Grey replied to the Ambassador that he had already asked the German Government to make suggestions.

The British Ambassador in Vienna hears that Russian mobilization has been ordered on the Austro-Hungarian frontier, and that the "Ministry for Foreign Affairs here has realized, though somewhat late in the day, that Russia will not remain indifferent in the present crisis." He believes that the news of this mobilization will not be a surprise to the Austro-Hungarian Government.

The German Ambassador "feigns surprise that Servian affairs should be of such interest to Russia."

The Russian and French Ambassadors both saw the German Ambassador. The Russian Ambassador expressed the hope that an arrangement would be possible, explaining that Russia must take an interest in the present dispute. Russia had already done what she could to induce the Servian Government to meet the principal Austro-Hungarian demands in a favourable spirit, and if approached in a proper manner he thought she would probably go still further in this direction; but she was justly offended at having been completely ignored. In reply the German Ambassador thought that Germany might consent to act as mediator in concert with the three other Powers.

Our Ambassador gathered from what the Russian Ambassador said to him that he was afraid of the effect that any serious engagement would have upon Russian public opinion and further he thought "that Russia would go a long way to meet Austrian demands on Servia."

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Next day the Russian Ambassador, Count Benckendorff, communicates to Sir E. Grey three telegrams which had passed between the Russian Ambassadors in Vienna and London and the Russian Minister for Foreign Affairs.

The Russian Ambassador at Vienna had said to the Austro-Hungarian Foreign Minister how desirable it was to find a solution which, while consolidating the good relations between Austria-Hungary and Russia, would give the former genuine guarantees for her future relations with Servia. The Austro-Hungarian Chancellor had, however, replied it was impossible for them to draw back; public opinion would not allow it, and pointed to the Servian reply as proof of her insincerity. The German Ambassador had told the Russian Government that Germany would continue to use moderating influence at Vienna even after the declaration of war (against Servia). The Russian Minister for Foreign Affairs had replied to the German Ambassador that Russia's measures were not directed against Germany. They were taken because the greater part of the Austro-Hungarian army had been mobilized and were not aggressive measures against Austria-Hungary either. He was still willing to carry on direct explanations, the course favoured by Germany, if Austria-Hungary was willing. Alternatively he was quite ready for a conference of the four Powers. He favoured parallel discussions by a conference of the four Powers, and by a direct interchange of views between Austria-Hungary and Russia as well. It should be easy to settle the out-

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standing points after the concessions already made by Servia. Lastly, the Russian Minister expresses his opinion to his Ambassador in London, that after the refusal of the Vienna Cabinet to agree to a direct exchange of views, nothing remained "but to rely entirely on the British Government to take the initiative in the steps which they may consider advisable."

On this day the bombardment of Belgrade was announced by the Press.

According to a special message sent by the German Government to the *Westminster Gazette*, and published by that paper on August 1, the German Ambassador on July 29, having reported that Austria-Hungary had declined to enter into direct negotiations with Russia, the German Government on the 30th informed Austria-Hungary that though she could not be expected to negotiate with Servia, with whom she was in a state of war, "the refusal to exchange views with St Petersburg would be a grave mistake." It further stated that although Germany was ready to fulfil her duty, "as an ally we must refuse to be drawn into a world conflagration through Austria-Hungary not respecting our advice." The German Ambassador at Vienna was instructed to express this message to the Austro-Hungarian Foreign Minister with all emphasis and great seriousness.

The reply of the Austro-Hungarian Government, according to the German message, was that there was a misunderstanding, and its Ambassador at St Petersburg had already received instructions to begin negotiations with the Russian Foreign Minister.

The Russian Ambassador in Vienna hopes that Russian mobilization will be regarded by Austria-Hungary as what it is, i.e. a clear intimation that Russia must be consulted regarding the fate of Servia. Russia must have an assurance that Servia will not be crushed.

Our Ambassador has heard that the German Ambassador at Vienna was instructed to speak seriously to the Austro-Hungarian Government against acting in a manner calculated to provoke a European war. He remarks that: "Unfortunately the German Ambassador is himself so identified with extreme anti-Russian and anti-Servian feeling prevalent in Vienna that he is unlikely to plead the cause of peace with entire sincerity. Although I am not able to verify it, I have private information that the German Ambassador knew the text of the Austrian ultimatum to Servia before it was dispatched and telegraphed it to the German Emperor. I know from the German Ambassador himself that he endorses every line of it."

The Austro-Hungarian Minister for Foreign Affairs told the Russian Ambassador that as Russia had mobilized, Austria-Hungary must, of course, do the same, but this should not be taken as a threat but merely as a military precaution. Further, he had no objection to the conversations between the Russian Minister for Foreign Affairs and the Austro-Hungarian Ambassador at St Petersburg being continued, though he did not say that they could be resumed on the basis of the Servian reply.

An interview takes place at St Petersburg between the Russian Minister for Foreign Affairs and the French and British Ambassadors.

The Russian Minister said he had been told by the German Ambassador that his Government would guarantee Servian integrity, to which he had answered that for all that Servia might become an Austro-Hungarian vassal and toleration of such a state of things would produce a revolution in Russia.

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He claimed to have absolute proof that Germany was making military and naval preparations against Russia, especially towards the Gulf of Finland.

At an interview with the Russian Minister for Foreign Affairs later in the same day, the German Ambassador "completely broke down on seeing that war was inevitable." The Russian Minister, being asked for a suggestion that the Ambassador could telegraph to Berlin as a last hope, drew up and gave him the following formula:

"If Austria-Hungary, recognizing that her conflict with Serbia has assumed character of question of European interest, declares herself ready to eliminate from her ultimatum points which violate principle of sovereignty of Serbia, Russia engages to stop all military preparations."

Our Ambassador considered that if the Russian Foreign Minister's proposal was rejected by Austria-Hungary the inevitable result would be European war. The excitement in Russia would prevent Russia holding back, and now that she knows that Germany is arming "she can hardly postpone, for strategical reasons, converting partial into general mobilization."

The German Secretary of State on the same day informed the British Ambassador that he had asked the Austro-Hungarian Government if it would "accept mediation on basis of occupation by Austro-Hungarian troops of Belgrade or some other point and issue their conditions from there." He was, however, afraid that Russian mobilization against Austria-Hungary would have increased the difficulties, "as Austria-Hungary, who has as yet only mobilized against Serbia, will probably find it necessary also against Russia." He asked if Sir E. Grey could induce Russia to agree to this basis for an arrangement, and in the meantime to avoid aggressive acts. He wanted Sir E. Grey to understand the difficulty of Germany's position in view of Russian mobilization and of the military measures which, he heard, were being taken in France. He said that the Imperial Government "had done nothing special in way of military preparations" except to recall officers on leave, which it had done after, and not before, the French Ambassador's visit of the day before. Something would, however, soon have to be done, and when they mobilized they would have to mobilize on three sides. "He regretted this as he knew France did not desire war." Lastly he added, referring to Sir E. Grey's warning to the German Ambassador that if war broke out Great Britain might not be able to stand aside, that "the telegram received from Prince Lichnowsky last night contained matter which he had heard with regret, but not exactly with surprise, and at all events he thoroughly appreciated the frankness and loyalty with which you (Sir E. Grey) had spoken."

The French President told our Ambassador that Germany had threatened Russia that unless she stopped her mobilization Germany would mobilize, though a further report stated that the German communication had been modified into a request to be told on what conditions Russia would consent to demobilization; and that Russia had replied on condition that Austria-Hungary gave an assurance that she would respect the sovereignty of Serbia and submit certain of the demands in her note to international discussion. The President thought that these conditions would not be accepted by Austria-Hungary, and again pressed our Ambassador more than once to

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declare our solidarity with France in the event of a conflict between France and Germany. In this event he said there would be no war. He added that France was pacific and did not want war, and that hitherto she had only made "preparations for mobilization so as not to be taken unawares." He promised to inform the British Government of anything further done in that way, and he said that the French had reliable information that German troops were concentrated round Thionville and Metz ready for war. England could not keep out of a general war.

The British Ambassador in Rome personally suggested to the German Ambassador "that some formula might be devised by Germany which might be acceptable for an exchange of views."

Next we come to Sir E. Grey's repudiation of the German Chancellor's bid for British neutrality.

"His Majesty's Government cannot," he wired, "for a moment entertain the Chancellor's proposal that they should bind themselves to neutrality on such terms." "What he asks us in effect is to engage to stand by while French colonies are taken and France is beaten so long as Germany does not take French territory as distinct from the colonies. From the material point of view such a proposal is unacceptable, for France, without further territory in Europe being taken from her, could be so crushed as to lose her position as a Great Power, and become subordinate to German policy. Altogether, apart from that, it would be a disgrace for us to make this bargain with Germany at the expense of France, a disgrace from which the good name of this country would never recover. The Chancellor also in effect asks us to bargain away whatever obligation or interest we have as regards the neutrality of Belgium. We could not entertain that bargain either. Having said so much, it is unnecessary to examine whether the prospect of a future general neutrality agreement between England and Germany offered positive advantages sufficient to compensate us for tying our hands now. We must preserve our full freedom to act as circumstances may seem to us to require in any such unfavourable and regrettable development of the present crisis as the Chancellor contemplates. The one way of maintaining the good relations between England and Germany is that they should continue to work together to preserve the peace of Europe"; and "for that object," he assures the Chancellor, "His Majesty's Government will work in that way with all sincerity and goodwill."

Lastly, he adds an idea which he had desired and worked for, though it had hitherto been too Utopian to form the subject of definite proposals. "If the peace of Europe can be preserved, and the present crisis safely passed, my own endeavour," he says, "will be to promote some arrangement to which Germany could be a party, by which she could be assured that no aggressive or hostile policy would be pursued against her or her allies by France, Russia and ourselves, jointly or separately."

A fresh effort was now made by Sir E. Grey. He wired to St Petersburg the German Ambassador's suggestion that Austria-Hungary, having taken Belgrade, might be induced not to advance further pending the efforts of the Powers for an arrangement between Serbia and herself, territory occupied to be evacuated when she was satisfied. He thinks that the Russian Minister's formula might be changed to read "that the Powers would examine how

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Servia could fully satisfy Austria without impairing Servian sovereign rights or independence."

"It is," he says, "a slender chance of preserving peace, but the only one I can suggest if the Russian Minister for Foreign Affairs can come to no agreement at Berlin."

At the same time Sir E. Grey wires to Paris to obtain French support for this suggestion.

The question of military preparations in France had now become urgent, and the French Ambassador in London reminded Sir E. Grey of an agreement which they had come to two years before that "if the peace of Europe was seriously threatened we would discuss what we were prepared to do." He gave Sir E. Grey a paper showing "that the German military preparations were more advanced and more on the offensive upon the frontier than anything France had yet done. He anticipated that the aggression would take the form of either a demand that France should cease her preparations, or a demand that she should engage to remain neutral if there was war between Germany and Russia."

He added that France could admit neither of these things.

The agreement referred to consisted of two letters which passed between Sir E. Grey and M. Cambon in 1912 providing for the consultation of British and French naval and military experts without in the least restricting the freedom of either Government or imposing any engagement upon them. The undertaking was that "if either Government had grave reason to expect an unprovoked attack by a third Power, or something that threatened the general peace, it should immediately discuss with the other whether both Governments should act together to prevent aggression and to preserve peace, and, if so, what measures they would be prepared to take in common. If these measures involved action, the plans of the General Staffs would at once be taken into consideration, and the Governments would then decide what effect should be given to them."

The French Ambassador also gave Sir E. Grey a detailed report from the French Minister for Foreign Affairs of German military preparations, showing that the last stage before mobilization had been reached in Germany, whereas the French had not called out a single reservist. The report concludes with the words: "As you see, Germany has done it. I would add that all my information goes to show that the German preparations began on Saturday, the very day on which the Austrian note was handed in."

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This concludes the correspondence of July 30. The next day (July 31) opens with a telegram from Rome. The Italian Minister for Foreign Affairs, though Austria-Hungary had refused to continue a direct exchange of views with Russia, "had reason to believe that Germany was now disposed to give more conciliatory advice to Austria as she seemed convinced that we should act with France and Russia, and was most anxious to avoid issue with us." The Italian Minister went on to say that he was asking Germany to suggest that the idea of an exchange of views between the four Powers should be resumed in any form which Austria-Hungary would consider acceptable. He

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thought Germany might invite Austria-Hungary to state her terms and guarantee that she would neither deprive Serbia of her independence nor annex territory. "It would be useless to ask for anything less than was contained in the Austrian ultimatum, and Germany would support no proposal that did not imply success for Austria. We might, on the other hand, ascertain from Russia what she would accept, and once we knew the standpoints of these two countries, discussions could be commenced at once." There was, he said, still time so long as Austria-Hungary had received no check.

We now come to some telegrams which passed between the Kaiser and the Tsar. They were not published in the British White Book, but appeared in *The Times* of August 4.

The Kaiser had called the attention of the Tsar to the menacing character of the Russian mobilization and to his own continued activity in the direction of mediation.

The Tsar in reply thanked the Kaiser for his mediation, which even at that stage gave him a gleam of hope. It was impossible to stop military preparations which were rendered necessary by Austria's mobilization. Russia did not wish war and, so long as the negotiations with Austria regarding Serbia continue (the Tsar's) "troops would not" (the Tsar gives his word for it) "undertake any provocative action."

The Kaiser then answered that the mediation he had undertaken at the Tsar's request between Austria-Hungary and Russia was rendered illusory by the mobilization of Russia against his ally Austria-Hungary. Nevertheless, he had continued it. Now, however, he had trustworthy news of "serious preparation for war" by Russia even on his eastern frontier. This obliged retaliatory measures in self-defence. His efforts to maintain the peace of the world had now reached their utmost possible limit. The responsibility for the threatened calamity to the whole civilized world would not be his. The Tsar could even at that moment avert it. The honour and power of Russia were not threatened, and she could well have waited the result of his mediation. His friendship for the Tsar and Russia, inherited from his grandfather on his deathbed, had always been holy to him. He had remained true to Russia whenever she had been in sore straits, especially during the last war. The peace of Europe could still be maintained by the Tsar if Russia decided to cease "her military measures, which threaten Germany and Austria-Hungary."

To return to the British White Book no reply had yet been received from the German Government to the question "whether they could suggest any method by which the four Powers could use their mediating influence between Russia and Austria, and our Ambassador in Berlin wires to ask Sir E. Grey if an answer had come to hand. He was told on the previous night "that they had not had time to send an answer yet."

The French Ambassador put the same question, and the German Secretary of State this time answered "that he had felt that time would be saved by communicating with Vienna direct and that he had asked the Austro-Hungarian Government what would satisfy them. No answer had, however, yet been returned."

The German Chancellor told our Ambassador, to whom he had said on the previous night that he was pressing the button as far as he could, and was

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not sure whether he had not gone too far, that "his efforts to preach peace and moderation at Vienna have been seriously handicapped by the Russian mobilization against Austria," though he had done his best. He added that if, as he learns is the case, military measures are now being taken by Russia against Germany also it would be impossible for them to remain quiet. "It was quite possible that in a very short time, to-day perhaps, the German Government would take some very serious step; he was, in fact, just on the point of going to have an audience with the Emperor." He had heard of active preparations on the Russo-German frontier, just when the Tsar had appealed to the Emperor to mediate at Vienna, and when the latter was actually conforming to that request.

The Chancellor asked for time to reflect upon the British answer to his bid for British neutrality, as "his mind was so full of grave matters."

Austria-Hungary now showed for the first time some disposition to meet the efforts of those who were working for peace.

Sir Edward hears from the German Ambassador that as a result of his Government's suggestion "a conversation has taken place at Vienna between the Austrian Minister for Foreign Affairs and the Russian Ambassador." The Austro-Hungarian Ambassador at St Petersburg had also been told that he could converse with the Russian Minister for Foreign Affairs and "that he should give explanations about the Austrian ultimatum to Serbia and discuss suggestions and any questions directly affecting Austro-Russian relations." Sir E. Grey suggests that it might be pointed out to Russia that the eight Army Corps which the Austro-Hungarians were mobilizing was not too great a number against 400,000 Servians. Sir E. Grey earnestly hoped that the Russian Minister for Foreign Affairs would encourage the discussions that were being resumed by Austria-Hungary and Russia. When the German Ambassador asked him to urge the Russian Government to suspend their military preparations, he replied:

"I did not see how Russia could be urged to suspend them unless some limit were put by Austria to the advance of her troops into Serbia."

Sir E. Grey wires also to Berlin hoping that the resumed discussions will lead to a satisfactory result. The stumbling block had hitherto been Austro-Hungarian mistrust of Servian assurances and Russian mistrust of Austro-Hungarian intentions with regard to the independence and integrity of Serbia. He, therefore, in case this mistrust should wreck the discussions, makes the further suggestion that he should sound St Petersburg, and Germany should sound Vienna "whether it would be possible for the four disinterested Powers to offer to Austria that they would undertake to see that she obtained full satisfaction of her demands on Serbia, provided that they did not impair Servian sovereignty and the integrity of Servian territory." He pointed out that Austria-Hungary had already declared her willingness to respect that sovereignty and integrity, and that Russia might be informed by the four Powers that they would undertake to prevent Austro-Hungarian demands going the length of impairing them. All Powers would, of course, suspend further military operations or preparations.

He was not, however, wedded to any proposal of his own, and pointed out that he has said to the German Ambassador that morning, "If Germany could get any reasonable proposal put forward which made it clear that

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Germany and Austria were striving to preserve European peace, and that Russia and France would be unreasonable if they rejected it, I would support it at St Petersburg and Paris, and go the length of saying that if Russia and France would not accept it His Majesty's Government would have nothing more to do with the consequences; but, otherwise, I told the German Ambassador that if France became involved we should be drawn in."

Our Ambassador was expressly told to add this when sounding the German Government about his proposal.

The German Government, hearing from their Ambassador that the whole Russian army and fleet is being mobilized, announces its intention to proclaim "Kriegsgefahr," and mobilization would follow almost immediately. "Kriegsgefahr," it is explained, "signified the taking of certain precautionary measures consequent upon strained relations with a foreign country."

The news seemed to our Ambassador in Berlin to put an end to all hope of peace. "Germany must," he says, "certainly prepare for all emergencies."

When asked whether he would press Austria-Hungary to do something to reassure Russia, the German Chancellor answered that the previous night he had begged Austria-Hungary to reply to Sir E. Grey's last proposal; and that their Government meant to ask the Emperor in the morning.

A general mobilization in Russia is announced to have been decided upon. This step was, our Ambassador says, taken "in consequence of a report received from Russian Ambassador in Vienna to the effect that Austria is determined not to yield to intervention of Powers, and that she is moving troops against Russia as well as against Serbia. Russia has also reason to believe that Germany is making active military preparations, and she cannot afford to let her get a start."

Sir E. Grey then had an interview with the French Ambassador in London.

The latter had heard from Germany "that it was the uncertainty with regard to whether we would intervene which was the encouraging element in Berlin, and that, if we would only declare definitely on the side of Russia and France, it would decide the German attitude in favour of peace." Sir E. Grey replied that Germany had not been left under the impression that we would not intervene, and that he had refused overtures to promise our neutrality. Further, he had that morning gone as far as to say to the German Ambassador "that if France and Germany became involved in war, we should be drawn into it." That of course, he added, was not the same thing as an engagement to France, but it showed that Germany had not been left under a false impression.

When the French Ambassador again pressed for a declaration of our solidarity with France, Sir E. Grey said the Cabinet had decided "that we could not give any pledge at the present time. Though we should have to put our policy before Parliament, we could not pledge Parliament in advance. Up to the present moment, we did not feel, and public opinion did not feel, that any treaties or obligations of this country were involved. Further developments might alter this situation and cause the Government and Parliament to take the view that intervention was justified. The preservation of the neutrality of Belgium might be, he would not say a decisive, but an important factor, in determining our attitude." Parliament would wish to know how we stood with regard to such neutrality and, finally, he referred to

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the possibility of his asking France and Germany whether each was prepared to undertake an engagement not to be the first to violate it. The French Ambassador asked whether we would help France if Germany made an attack upon her, and pointed out that Germany had from the beginning rejected proposals which might have made for peace. England's interest and history were both in favour of our intervention. Sir E. Grey, however, remained firm and would undertake no definite engagement.

On hearing of the German mobilization, Sir E. Grey asked the French and German Governments if they were prepared to engage to respect the neutrality of Belgium so long as no other Power violated it, and asked for an early answer.

At the same time he telegraphed to Belgium, that he had made this request of France and Germany, and added: "I assume that the Belgium Government will maintain to the utmost of her power her neutrality, which I desire and expect other Powers to uphold and observe."

An answer was then wired to the French request for a declaration as to our position. Sir E. Grey again distinguished the crisis from the Morocco question, which directly involved France, and said: "Nobody here feels that in this dispute, so far as it has yet gone, British treaties or obligations are involved." He declined to give a definite pledge to intervene as it would not be justified, and added: "I believe it to be quite untrue that our attitude has been a decisive factor in situation. German Government do not expect our neutrality."

Germany told the French Government of her ultimatum to the Russian Government requiring that the Russian forces should be demobilized, and said she would have to order the total mobilization of the German army on the German and French frontiers if within twelve hours the Russian Government did not send a satisfactory reply.

The German Ambassador could not say when the twelve hours would terminate, but he intended at 1 p.m. the next day (Saturday) to call for the French Government's answer as to the attitude it would adopt in the circumstances, and intimated that he might require his passports.

The French Minister again asked Sir E. Grey in these circumstances what would be the attitude of England. The Russian Ambassador in Paris did not know of any general mobilization of the Russian forces.

The Austro-Hungarian Under-Secretary of State said that although Austria-Hungary was compelled to respond to Russian mobilization (which she deplored) mobilization was not to be regarded as a necessarily hostile act on either side. Telegrams were being exchanged between the Emperors of Russia and Germany and conversations were proceeding between the two countries at St Petersburg. With regard to the German mobilization, Germany must, he said, do something to secure her position. Austria-Hungary found it difficult to recognize the Russian claim to intervene on behalf of Servia. Sir M. de Bunsen, therefore, reminded him that "during the discussion of the Albanian frontier at the London Conference of Ambassadors the Russian Government had stood behind Servia, and that a compromise between the views of Russia and Austria-Hungary resulted with accepted frontier line." The Under-Secretary, though conciliatory, would, however, make no suggestion for a compromise in this case.

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The Russian Ambassador explained that Russia had no desire to interfere unduly, and that "as regards Austrian demands, Russia had counselled Serbia to yield to them as far as she possibly could without sacrificing her independence." "His Excellency," our Ambassador reported, "is exerting himself strongly in the interests of peace."

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Next morning our Ambassador in St Petersburg telegraphed the proposed Russian formula, amended so as to meet Sir E. Grey's proposals of July 30. It now read as follows:

"If Austria will agree to check the advance of her troops on Servian territory; if, recognizing that the dispute between Austria and Serbia has assumed a character of European interest, she will allow the Great Powers to look into the matter and determine whether Serbia could satisfy the Austro-Hungarian Government without impairing her rights as a sovereign State or her independence, Russia will undertake to maintain her waiting attitude."

In the telegrams which had passed between the German Emperor and the Tsar, the latter had disclaimed any intention of an aggressive character, and had undertaken that "so long as conversation with Austria continued, not a single man should be moved across the frontier," though for reasons explained mobilization could not be stopped.

The Russian Minister for Foreign Affairs hoped that the suggested conversations would take place in London, and said that "The Emperor, the Russian Government, and the Russian people would never forget the firm attitude adopted by Great Britain."

Our Ambassador in Berlin had spent an hour urging the German Secretary of State to accept Sir E. Grey's proposal (that Russia and Austria-Hungary should be sounded respectively by Great Britain and Germany and offered guarantees), and to make another effort "to prevent the terrible catastrophe of a European war." The Secretary of State replied that Germany could not consider any proposal until Russia replied to its ultimatum asking that mobilization against Germany and Austria-Hungary should be countermanded. In the absence of a favourable answer Germany would have to mobilize at once. Our Ambassador inquired why Russia had been asked to demobilize in the south as well, which made the request a more difficult one. The German Minister answered "that it was in order to prevent Russia from saying all her mobilization was only directed against Austria-Hungary." He thought personally Sir E. Grey's proposal "merited favourable consideration" if the Russian reply was satisfactory, and again said that the Kaiser (at the request of the Tsar) and the German Foreign Office had even up to last night been urging Austria-Hungary to show willingness to continue discussion, and things had been promising—"but Russia's mobilization had spoilt everything."

An ominous reply was now received with regard to the neutrality of Belgium. The German Secretary of State was very doubtful whether they could return any answer at all as it could not but disclose their plan of campaign. His Government seemed to consider "that certain hostile acts have already

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been committed by Belgium. As an instance of this, he alleged that a consignment of corn for Germany had been placed under an embargo already."

The Chancellor said that Germany would in any case desire to know the reply returned by the French Government about Belgium.

Sir E. Grey had an important conversation with the German Ambassador.

He said "that the reply of the German Government with regard to the neutrality of Belgium was a matter of very great regret, because the neutrality of Belgium affected feeling in this country. If Germany could see her way to give the same assurance as that which had been given by France, it would materially contribute to relieve anxiety and tension here. On the other hand, if there were a violation of the neutrality of Belgium by one combatant while the other respected it, it would be extremely difficult to restrain public feeling in this country. I said that we had been discussing this question at a Cabinet meeting, and as I was authorized to tell him this I gave him a memorandum of it.

"He asked me whether, if Germany gave a promise not to violate Belgian neutrality, we would engage to remain neutral.

"I replied that I could not say that; our hands were still free, and we were considering what our attitude should be. All I could say was that our attitude would be determined largely by public opinion here, and that the neutrality of Belgium would appeal very strongly to public opinion here. I did not think that we could give a promise of neutrality on that condition alone.

"The Ambassador pressed me as to whether I could not formulate conditions on which we would remain neutral. He even suggested that the integrity of France and her Colonies might be guaranteed.

"I said that I felt obliged to refuse definitely any promise to remain neutral on similar terms, and I could only say that we must keep our hands free."

The French Government expresses its anxiety to know what the attitude of England will be now that Germany has ordered a general mobilization if Russia does not demobilize at once. Our Ambassador hears that the German Embassy at Paris is "packing up."

The French Government promises to respect the neutrality of Belgium unless some other Power violates it, and states that this assurance has already been given several times. It also pointed out to the German Ambassador that "general mobilization in Russia had not been ordered until after Austria-Hungary had decreed a general mobilization, and that the Russian Government were ready to demobilize if all Powers did likewise." It further expressed its surprise at an ultimatum being sent by Germany to St Petersburg just when Austria-Hungary and Russia were ready to converse. There were, it remarked, no differences at issue between France and Germany. It therefore considered the menacing communication sent to it an extraordinary proceeding.

Our Ambassador in Vienna announces the general mobilization of the Austro-Hungarian army and fleet.

The Belgian Government "expects and desires that other Powers will observe and uphold her neutrality, which she intends to maintain to the utmost of her power."

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British ships are detained at Hamburg, and Sir E. Grey wires to Berlin to protest.

Sir E. Grey still thinks peace possible "if only a little respite" can be given. He hears from Russia that Austria-Hungary is willing to discuss with her, and that Austria-Hungary is ready to accept a basis of mediation "which is not open to the objections raised with regard to the formula which Russia originally suggested." He hopes the German Government will be able to make use of this information from Russia in order to avoid tension. England will carefully abstain from any act which may precipitate matters.

The following further amended formula is received from the Russian Government:

"If Austria consents to stay the march of her troops on Servian territory, and if, recognizing that the Austro-Servian conflict has assumed the character of a question of European interest, she admits that the Great Powers may examine the satisfaction which Serbia can accord to the Austro-Hungarian Government without injury to her sovereign rights as a State and to her independence, Russia undertakes to preserve her waiting attitude."

Sir E. Grey hears that "the Austro-Hungarian Ambassador has declared the readiness of his Government to discuss the substance of the Austrian ultimatum to Servia."

The Russian Foreign Minister also expressed his satisfaction and wished the discussion to take place in London under the direction of the British Government. It would, he remarks, be "very important" that Austria-Hungary should meanwhile provisionally stop military action on Servian territory.

The British Ambassador in Paris is told by the French President that the "German Government were trying to saddle Russia with the responsibility; that it was only after a decree of general mobilization had been issued in Austria that the Emperor of Russia ordered a general mobilization; that, although Germany's measures are in effect a general mobilization" they are not so designated; that French mobilization will become necessary in self-defence, and that France is already forty-eight hours behind Germany; that the French troops will, however, be kept ten kilometres from the German frontier "so as to avoid any grounds for accusation of provocation," whereas "the German troops, on the other hand, are actually on the French frontier and have made incursions on it"; that, notwithstanding mobilization, the Tsar is willing to continue conversations with Germany, and that France sincerely desires peace.

Sir E. Grey hears "from a most reliable source" that Austria-Hungary has informed the German Government that she is ready to consider favourably his proposals for mediation between Austria-Hungary and Servia. Sir Edward wires to our Ambassador in St Petersburg that "the effect of this acceptance would naturally be that the Austrian military action against Servia would continue for the present, and that the British Government would urge upon Russian Government to stop the mobilization of troops directed against Austria, in which case Austria would naturally cancel those defensive military counter-measures in Galicia, which have been forced upon Austria by Russian mobilization."

Our Ambassador is instructed to tell the Russian Minister for Foreign

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Affairs that if "Russia can agree to stop mobilization it appears still to be possible to preserve peace."

A general mobilization of the French army was ordered at 3.40 p.m., a step considered necessary in consequence of the German "Kriegszustand," under which the Germans had called up six classes. Three classes were stated by the French War Minister to be enough to bring their covering troops up to war strength.

The French Minister considered this tantamount to mobilization. Eight German army corps were on the French frontier and an attack was expected at any moment.

The Austro-Hungarian Minister for Foreign Affairs wired to his Ambassador in Paris "to assure the French Minister for Foreign Affairs that there was no intention in the minds of the Austro-Hungarian Government to impair the sovereign rights of Serbia or to obtain territorial aggrandisement." Further, there was no truth in the report that Austria-Hungary intended to occupy the Sanjak.

The Austro-Hungarian Minister for Foreign Affairs also sent for the Russian Ambassador in Vienna and asked him "to do his best to remove the wholly erroneous impression in St Petersburg that the 'door had been banged' by Austria-Hungary on all further conversations." The Austro-Hungarian Minister repeated to the Ambassador the assurance already given at St Petersburg "to the effect that neither an infraction of Servian sovereign rights nor the acquisition of Servian territory was being contemplated by Austria-Hungary." He further stated that the "conversations at St Petersburg had not been broken off by Austria-Hungary."

The French Ambassador told Sir E. Grey that the Italian Government, when informed by the German Government of the ultimatums presented to France and Russia, and asked what Italy meant to do, had replied: "The war undertaken by Austria, and the consequences which might result, had, in the words of the German Ambassador himself, an aggressive object. Both were therefore in conflict with the purely defensive character of the Triple Alliance, and in such circumstances Italy would remain neutral."

The French Ambassador laid stress upon the Italian declaration that the present war was not a defensive but an aggressive war.

Our Ambassador in Berlin told the German Secretary of State of Sir E. Grey's belief that peace was still possible if only a little respite could be given. He "spent a long time arguing with him that the chief dispute was between Austria and Russia, and that Germany was only drawn in as Austria's ally. If, therefore, Austria and Russia were, as was evident, ready to discuss matters, and Germany did not desire war on her own account, it seemed (to me) only logical that Germany should hold her hand and continue to work for a peaceful settlement."

The German Secretary of State replied that "Austria's readiness to discuss was the result of German influence at Vienna, and, had not Russia mobilized against Germany, all would have been well. But Russia, by abstaining from answering Germany's demand that she should demobilize, had caused Germany to mobilize also. Russia had said that her mobilization did not necessarily imply war, and that she could perfectly well remain mobilized for months without making war. This was not the case with Germany. She

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had the speed and Russia had the numbers, and the safety of the German Empire forbade that Germany should allow Russia time to bring up masses of troops from all parts of her wide dominions." As no answer had been received from Russia (though it was several hours behind the specified time) Germany had ordered mobilization, and her representative at St Petersburg had been instructed within a certain time to inform the Russian Government that its refusal to answer must be regarded as creating a state of war.

The Russian Minister for Foreign Affairs told the Austro-Hungarian Ambassador that "The real question which they had to solve at this moment was whether Austria was to crush Serbia and to reduce her to the status of a vassal, or whether she was to leave Serbia a free and independent State." The only place where a successful discussion of this question could be expected was London, and this was being made impossible by Austria-Hungary bombarding Belgrade.

The Russian Minister told the French and British Ambassadors "that during the Balkan crisis he had made it clear to the Austrian Government that war with Russia must inevitably follow an Austrian attack on Serbia." It was for Russia a "question of life and death." He described the policy of Austria-Hungary as "tortuous and immoral," and the policy of Germany as "equivocal and double-faced." He added that "it mattered little whether the German Government knew or did not know the terms of the Austrian ultimatum; what mattered was that her intervention with the Austrian Government had been postponed until the moment had passed when its influence would have been felt. Germany was unfortunate in her representatives in Vienna and St Petersburg: the former was a violent Russophobe who had urged Austria on, the latter had reported to his Government that Russia would never go to war. M. Sazonof was completely weary of the ceaseless endeavours he had made to avoid a war. No suggestion held out to him had been refused. He had accepted the proposal for a conference of four, for mediation by Great Britain and Italy, for direct conversation between Austria and Russia; but Germany and Austria-Hungary had either rendered these attempts for peace ineffective by evasive replies or had refused them altogether. The action of the Austro-Hungarian Government and the German preparations had forced the Russian Government to order mobilization, and the mobilization of Germany had created a desperate situation." He stated that the formula sent to Sir E. Grey had been forwarded to Vienna, and he would adhere to it if Sir E. Grey could obtain its acceptance before the frontier was crossed by German troops. "In no case would Russia begin hostilities first."

Our Ambassador in St Petersburg sees no chance of a general war being avoided unless France and Germany agree to "keep their armies mobilized on their own sides of the frontier, as Russia has expressed her readiness to do, pending a last attempt to reach a settlement of the present crisis."

The Russian Ambassador at Vienna thinks war almost inevitable, that mobilization is too expensive to be kept for long, and Germany will attack Russia at once. "He says that the so-called mobilization of Russia amounted to nothing more than that Russia had taken military measures corresponding

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to those taken by Germany." "There seems," our Ambassador at Vienna remarks, "to be even greater tension between Germany and Russia than there is between Austria and Russia. Russia would, according to the Russian Ambassador, be satisfied even now with assurance respecting Servian integrity and independence. He says that Russia had no intention to attack Austria."

The Russian Ambassador was going to point out again to the Austro-Hungarian Minister for Foreign Affairs that "most terrific consequences must ensue from refusal to make this slight concession. This time Russia would fight to the last extremity."

Our Ambassador agreed with the Russian Ambassador "that the German Ambassador at Vienna desired war from the first, and that his strong personal bias probably coloured his action here." "The Russian Ambassador is convinced that the German Government also desired war from the first."

Our Ambassador states: "There is great anxiety to know what England will do. I fear that nothing can alter the determination of the Austro-Hungarian Government to proceed on their present course, if they have made up their mind with the approval of Germany."

Orders were issued in Germany for the general mobilization of the navy and army, the first day of mobilization to be August 2.

The German Government promises to allow the detained British steamers to proceed at once, and expresses the greatest surprise and annoyance at the incident.

August 2.

The announcement is received from Berlin that "owing to certain Russian troops having crossed the frontier, Germany and Russia are now in a state of war."

Our Ambassador in Berlin wires that orders were sent the previous night that the detained British ships should be allowed to proceed from Hamburg, and that this must be regarded as a special favour to His Majesty's Government, as no other foreign ships have been allowed to leave. The reason given for detention was that mines were being laid and other precautions taken.

Our Minister at Brussels confirms the news of the entry of the German troops into Luxemburg, and a telegram followed from the Minister of State of the Grand Duchy, describing the encroachments of the German army, against which his Government had made an energetic protest to the Kaiser.

Sir E. Grey now felt that an assurance should be given to the French Government with regard to the naval position in the Channel and in the North Sea, as the French, whose fleet had for long been concentrated in the Mediterranean, would otherwise not know how to make their dispositions with their northern coasts entirely undefended. He therefore gave to the French Ambassador the following memorandum: "I am authorized to give an assurance that, if the German fleet comes into the Channel or through the North Sea to undertake hostile operations against French coasts or shipping, the British fleet will give all the protection in its power.

"This assurance is of course subject to the policy of His Majesty's Government receiving the support of Parliament, and must not be taken as binding

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His Majesty's Government to take any action until the above contingency of action by the German fleet takes place." Sir E. Grey pointed out to the Ambassador "that we had very large questions and most difficult issues to consider" and that the Government could not bind themselves to declare war on Germany necessarily if war broke out between France and Germany to-morrow. The assurance given with regard to the fleet "did not bind us to go to war with Germany unless the German fleet took the action indicated, but it did give a security to France that would enable her to settle the disposition of her own Mediterranean fleet." The French Ambassador, after mentioning the violation of Luxemburg, asked what we should say about the violation of the neutrality of Belgium. Sir E. Grey's reply was that it was a much more important matter, and "we were considering what statement we should make in Parliament to-morrow—in effect, whether we should declare violation of Belgian territory to be a *casus belli*."

Sir Edward also told the Ambassador what he had said to the German Ambassador on the subject.

One hundred tons of sugar were compulsorily unloaded from a British steamer at Hamburg, and other British ships loaded with sugar were treated in the same way. Our Government strongly protested.

August 3.

The Belgian Government, in reply to an offer of five army corps from France, answered that they "do not propose to appeal to the guarantee of the Powers," but would decide later on their action.

August 4.

The King of the Belgians made a supreme appeal to the King of England for diplomatic action on behalf of Belgium.

The British Government was also told of the German Government's note to Belgium asking that a free passage should be allowed to their troops through Belgian territory and "promising to maintain the independence and integrity of the kingdom and its possessions at the conclusion of peace, threatening in case of refusal to treat Belgium as an enemy."

To this note an answer was requested within twelve hours.

Belgium categorically refused to accept these terms "as a flagrant violation of the law of nations."

Sir E. Grey therefore wired to Berlin that "His Majesty's Government are bound to protest against this violation of a treaty to which Germany is a party in common with themselves, and must request an assurance that the demand made upon Belgium will not be proceeded with and that her neutrality will be respected by Germany."

An immediate reply was requested.

The German Government, on receiving the reply of the Belgian Government, answered that it would be "compelled to carry out, if necessary by force of arms, the measures considered indispensable in view of the French menaces."

Sir E. Grey's reply to Brussels was as follows:

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"You should inform Belgian Government that if pressure is applied to them by Germany to induce them to depart from neutrality, His Majesty's Government expects that they will resist by any means in their power, and that His Majesty's Government will support them in offering such resistance, and that His Majesty's Government in this event are prepared to join Russia and France, if desired, in offering to the Belgian Government at once common action for the purpose of resisting use of force by Germany against them, and a guarantee to maintain their independence and integrity in future years."

Numerous complaints continuing to arrive about the detention of British ships in German ports, Sir E. Grey wires to Berlin protesting against this action on the part of the German authorities as "totally unjustifiable."

The German Government telegraphed to London to dispel any mistrust on the part of the British Government, and to repeat most positively the formal assurance that even in the case of armed conflict with Belgium, "Germany will, under no pretence whatever, annex Belgian territory. Sincerity of this declaration is borne out by fact that we solemnly pledged our word to Holland strictly to respect her neutrality. It is obvious that we could not profitably annex Belgian territory without making at the same time territorial acquisitions at expense of Holland. Please impress upon Sir E. Grey that German army could not be exposed to French attack across Belgium, which was planned according to absolutely unimpeachable information. Germany had consequently to disregard Belgian neutrality, it being for her a question of life or death to prevent French advance."

News is received that German troops have entered Belgian territory and Liege has been summoned to surrender.

The correspondence ends with an ultimatum from Sir E. Grey to Berlin. After referring to the German note threatening Belgium with force of arms and to the violation of Belgian territory at Gemmenich, Sir E. Grey repeats his request for a satisfactory reply with regard to the neutrality of Belgium, and asks that it should be sent so as to arrive in London by 12 o'clock that same night. Otherwise, the Ambassador is to ask for his passports, and the British Government would "feel bound to take all steps in their power to uphold the neutrality of Belgium and the observance of a treaty to which Germany is as much a party as ourselves."

A subsequent White Paper contains a final dispatch from the British Ambassador at Berlin.

The German Secretary of State, at a morning interview, refused the British Ambassador's request for an assurance that Belgian neutrality would be respected. He said that German troops had already crossed the Belgian frontier. Speed was now a matter of life and death for Germany. If they invaded France by a more southern part, they would meet a scarcity of roads, strong fortresses and a formidable opposition entailing great loss of time. Russia would then have time to bring up her troops to the German frontier. "Rapidly of action was the great German asset, while that of Russia was an inexhaustible supply of troops." It was impossible to draw back.

In the evening the British Ambassador called again at the German Foreign Office and delivered the British ultimatum.

The Secretary of State again gave the same answer as before, and said

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reconsideration of the question was out of the question. The British Ambassador said that in that case he must ask for his passports. The Secretary of State expressed "his poignant regret at the crumbling of his entire policy and that of the Chancellor, which had been to make friends with Great Britain and then, through Great Britain, to get closer to France."

The Ambassador shared his regret, but he must understand that the British Government could not possibly have acted otherwise.

The British Ambassador then saw the Chancellor, who was very agitated. He said "that the step taken by His Majesty's Government was terrible to a degree; just for a word—'neutrality,' a word which in war time had so often been disregarded—just for a scrap of paper Great Britain was going to make war on a kindred nation who desired nothing better than to be friends with her. All his efforts in that direction had been rendered useless by this last terrible step, and the policy to which, as I knew, he had devoted himself since his accession to office had tumbled down like a house of cards. What we had done was unthinkable; it was like striking a man from behind while he was fighting for his life against two assailants. He held Great Britain responsible for all the terrible events that might happen."

The Ambassador protested strongly and said "that, in the same way as he and Herr von Jagow wished me to understand that for strategical reasons it was a matter of life and death to Germany to advance through Belgium and violate the latter's neutrality, so I would wish him to understand that it was, so to speak, a matter of 'life and death' for the honour of Great Britain that she should keep her solemn engagement to do her utmost to defend Belgium's neutrality if attacked. That solemn compact simply had to be kept, or what confidence could anyone have in engagements given by Great Britain in the future?"

The Ambassador further hinted to His Excellency as plainly as he could "that fear of consequences could hardly be regarded as an excuse for breaking solemn engagements"; but the Chancellor was too upset at the news of the British Government's action and too little disposed to hear reason for further argument to be possible.

The Chancellor in conclusion said "that the blow of Great Britain joining Germany's enemies was all the greater that almost up to the last moment he and his Government had been working with us, and supporting our efforts to maintain peace between Austria and Russia." Our Ambassador replied that it was "part of the tragedy which saw the two nations fall apart just at the moment when the relations between them had been more friendly and cordial than they had been for years." Unfortunately, in spite of the efforts to keep peace between Russia and Austria-Hungary, the war had spread and Great Britain had to keep her engagements which, to his great regret, meant separation from its late fellow workers.

A telegram which contained an account of this painful interview never reached London.

At about 9.30 p.m. the German Under-Secretary came and asked the British Ambassador whether a demand for passports was equivalent to a declaration of war. The Ambassador's reply was that such an authority on international law as the Under-Secretary was known to be must know as well or better than he. War had not always ensued when diplomatic negotia-

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tions were broken off. "His Majesty's Government expected an answer to a definite question by 12 o'clock that night, and in default of a satisfactory answer they would be forced to take such steps as their engagements required."

The Under-Secretary considered that that was in fact a declaration of war, as no assurance could be given.

In the meantime a flying sheet issued by the *Berliner Tageblatt* appeared, stating that Great Britain had declared war against Germany. The result was a hostile demonstration of the Berlin crowd against the British Embassy. The windows were broken and cobble stones thrown into the drawing-room. The German Foreign Office, when informed, at once put a stop to it, and the German Secretary of State personally came and made the fullest and most complete apology. The flying sheet, he said, had not been circulated by Government authority. It was the "pestilential *Tageblatt*" that had somehow got hold of the news.

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Next morning one of the Kaiser's aides-de-camp brought the following message which, says the British Ambassador, "lost none of its acerbity by the manner of its delivery":

"The Emperor has charged me to express to your Excellency his regret for the occurrences of last night, but to tell you at the same time that you will gather from those occurrences an idea of the feelings of his people respecting the action of Great Britain in joining with other nations against her old allies of Waterloo. His Majesty also begs that you will tell the King that he has been proud of the titles of British Field-Marshal and British Admiral, but that in consequence of what has occurred he must now at once divest himself of those titles."

On the other hand, the German Foreign Office and the Secretary of State showed every courtesy and took great pains to make the British Ambassador's departure and journey home as comfortable as possible.

SIR EDWARD GREY'S SPEECH

THE following is *Hansard's* report of the speech delivered by Sir Edward Grey in the House of Commons on Monday afternoon, August 3:—

The Secretary of State for Foreign Affairs (Sir Edward Grey): Last week I stated that we were working for peace not only for this country, but to preserve the peace of Europe. To-day events move so rapidly that it is exceedingly difficult to state with technical accuracy the actual state of affairs, but it is clear that the peace of Europe cannot be preserved. Russia and Germany, at any rate, have declared war upon each other.

Before I proceed to state the position of His Majesty's Government, I would like to clear the ground so that, before I come to state to the House what our attitude is with regard to the present crisis, the House may know exactly under what obligations the Government is, or the House can be said to be, in coming to a decision on the matter. First of all let me say, very shortly, that we have consistently worked with a single mind, with all the earnestness in our power, to preserve peace. The House may be satisfied on that point. We have always done it. During these last years, as far as His Majesty's Government are concerned, we would have no difficulty in proving that we have done so. Throughout the Balkan crisis, by general admission, we worked for peace. The co-operation of the Great Powers of Europe was successful in working for peace in the Balkan crisis. It is true that some of the Powers had great difficulty in adjusting their points of view. It took much time and labour and discussion before they could settle their differences, but peace was secured, because peace was their main object, and they were willing to give time and trouble rather than accentuate differences rapidly.

In the present crisis, it has not been possible to secure the peace of Europe; because there has been little time, and there has been a disposition—at any rate in some quarters on which I will not dwell—to force things rapidly to an issue, at any rate, to the great risk of peace, and, as we now know, the result of that is that the policy of peace, as far as the Great Powers generally are concerned, is in danger. I do not want to dwell on that, and to comment on it, and to say where the blame seems to us to lie, which Powers were most in favour of peace, which were most disposed to risk or endanger peace, because I would like the House to approach this crisis in which we are now, from the point of view of British interests, British honour, and British obligations, free from all passion as to why peace has not been preserved.

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We shall publish Papers as soon as we can regarding what took place last week when we were working for peace; and when those Papers are published, I have no doubt that to every human being they will make it clear how strenuous and genuine and whole-hearted our efforts for peace were, and that they will enable people to form their own judgment as to what forces were at work which operated against peace.

I come first, now, to the question of British obligations. I have assured the House—and the Prime Minister has assured the House more than once—that if any crisis such as this arose, we should come before the House of Commons and be able to say to the House that it was free to decide what the British attitude should be, that we would have no secret engagement which we should spring upon the House, and tell the House that, because we had entered into that engagement, there was an obligation of honour upon the country. I will deal with that point to clear the ground first.

There has been in Europe two diplomatic groups, the Triple Alliance and what came to be called the "Triple Entente," for some years past. The Triple Entente was not an Alliance—it was a Diplomatic group. The House will remember that in 1908 there was a crisis, also a Balkan crisis, originating in the annexation of Bosnia and Herzegovina. The Russian Minister, M. Isvolsky, came to London, or happened to come to London, because his visit was planned before the crisis broke out. I told him definitely then, this being a Balkan crisis, a Balkan affair, I did not consider that public opinion in this country would justify us in promising to give anything more than diplomatic support. More was never asked from us, more was never given, and more was never promised.

In this present crisis, up till yesterday, we have also given no promise of anything more than diplomatic support—up till yesterday no promise of more than diplomatic support. Now I must make this question of obligation clear to the House. I must go back to the first Moroccan crisis of 1906. That was the time of the Algecirras Conference, and it came at a time of very great difficulty to His Majesty's Government when a General Election was in progress, and Ministers were scattered over the country, and I—spending three days a week in my constituency and three days at the Foreign Office—was asked the question whether if that crisis developed into war between France and Germany we would give armed support. I said then that I could promise nothing to any foreign Power unless it was subsequently to receive the whole-hearted support of public opinion here if the occasion arose. I said, in my opinion, if war was forced upon France, then on the question of Morocco—a question which had just been the subject of agreement between this country and France, an agreement exceedingly popular on both sides—that if out of that agreement war was forced on France at that time, in my view public opinion in this country would have rallied to the material support of France.

I gave no promise, but I expressed that opinion during the crisis, as far as I remember, almost in the same words, to the French Ambassador and the German Ambassador at the time. I made no promise, and I used no threats; but I expressed that opinion. That position was accepted by the French Government, but they said to me at the time—and I think very reasonably—"If you think it possible that the public opinion of Great Britain might, should a sudden crisis arise, justify you in giving to France the armed

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support which you cannot promise in advance, you will not be able to give that support, even if you wish to give it, when the time comes, unless some conversations have already taken place between naval and military experts." There was force in that. I agreed to it, and authorized those conversations to take place, but on the distinct understanding that nothing which passed between military or naval experts should bind either Government or restrict in any way their freedom to make a decision as to whether or not they would give that support when the time arose.

As I have told the House, upon that occasion a General Election was in prospect. I had to take the responsibility of doing that without the Cabinet. It could not be summoned. An answer had to be given. I consulted Sir Henry Campbell-Bannerman, the Prime Minister; I consulted, I remember, Lord Haldane, who was then Secretary of State for War, and the present Prime Minister, who was then Chancellor of the Exchequer. That was the most I could do, and they authorized that on the distinct understanding that it left the hands of the Government free whenever the crisis arose. The fact that conversations between military and naval experts took place was later on—I think much later on, because that crisis passed, and the thing ceased to be of importance—but later on it was brought to the knowledge of the Cabinet.

The Agadir crisis came—another Morocco crisis—and throughout that I took precisely the same line that had been taken in 1906. But subsequently, in 1912, after discussion and consideration in the Cabinet it was decided that we ought to have a definite understanding in writing, which was to be only in the form of an unofficial letter, that these conversations which took place were not binding upon the freedom of either Government; and on November 22, 1912, I wrote to the French Ambassador the letter which I will now read to the House, and I received from him a letter in similar terms in reply. The letter which I have to read to the House is this, and it will be known to the public now as the record that, whatever took place between military and naval experts, they were not binding engagements upon the Government:

"My dear Ambassador,—From time to time in recent years the French and British naval and military experts have consulted together. It has always been understood that such consultation does not restrict the freedom of either Government to decide at any future time whether or not to assist the other by armed force. We have agreed that consultation between experts is not and ought not to be regarded as an engagement that commits either Government to action in a contingency that has not yet arisen and may never arise. The disposition, for instance, of the French and British fleets respectively at the present moment is not based upon an engagement to co-operate in war.

"You have, however, pointed out that, if either Government had grave reason to expect an unprovoked attack by a third Power, it might become essential to know whether it could in that event depend upon the armed assistance of the other.

"I agree that, if either Government had grave reason to expect an unprovoked attack by a third Power, or something that threatened the general peace, it should immediately discuss with the other whether both

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Governments should act together to prevent aggression and to preserve peace, and, if so, what measures they would be prepared to take in common."

Lord Charles Beresford: What is the date of that?

Sir E. Grey: November 22, 1912. That is the starting point for the Government with regard to the present crisis. I think it makes it clear that what the Prime Minister and I said to the House of Commons was perfectly justified, and that, as regards our freedom to decide in a crisis what our line should be, whether we should intervene or whether we should abstain, the Government remained perfectly free and, *a fortiori*, the House of Commons remains perfectly free. That I say to clear the ground from the point of view of obligation. I think it was due to prove our good faith to the House of Commons that I should give that full information to the House now, and say what I think is obvious from the letter I have just read, that we do not construe anything which has previously taken place in our diplomatic relations with other Powers in this matter as restricting the freedom of the Government to decide what attitude they should take now, or restrict the freedom of the House of Commons to decide what their attitude should be.

Well, Sir, I will go further, and I will say this: The situation in the present crisis is not precisely the same as it was in the Morocco question. In the Morocco question it was primarily a dispute which concerned France—a dispute which concerned France and France primarily—a dispute, as it seemed to us, affecting France, out of an agreement subsisting between us and France, and published to the whole world, in which we engaged to give France diplomatic support. No doubt we were pledged to give nothing but diplomatic support; we were, at any rate, pledged by a definite public agreement to stand with France diplomatically in that question.

The present crisis has originated differently. It has not originated with regard to Morocco. It has not originated as regards anything with which we had a special agreement with France; it has not originated with anything which primarily concerned France. It has originated in a dispute between Austria and Serbia. I can say this with the most absolute confidence—no Government and no country has less desire to be involved in war over a dispute with Austria and Serbia than the Government and the country of France. They are involved in it because of their obligation of honour under a definite alliance with Russia. Well, it is only fair to say to the House that that obligation of honour cannot apply in the same way to us. We are not parties to the Franco-Russian Alliance. We do not even know the terms of that Alliance. So far I have, I think, faithfully and completely cleared the ground with regard to the question of obligation.

I now come to what we think the situation requires of us. For many years we have had a long-standing friendship with France. [An Hon. Member: "And with Germany!"] I remember well the feeling in the House—and my own feeling—for I spoke on the subject, I think, when the late Government made their agreement with France—the warm and cordial feeling resulting from the fact that these two nations, who had had perpetual differences in the past, had cleared these differences away. I remember saying, I think, that it seemed to me that some benign influence had been at work to produce the cordial atmosphere that had made that possible. But

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how far that friendship entails obligation—it has been a friendship between the nations and ratified by the nations—how far that entails an obligation let every man look into his own heart, and his own feelings, and construe the extent of the obligation for himself. I construe it myself as I feel it, but I do not wish to urge upon anyone else more than their feelings dictate as to what they should feel about the obligation. The House, individually and collectively, may judge for itself. I speak my personal view, and I have given the House my own feeling in the matter.

The French fleet is now in the Mediterranean, and the Northern and Western coasts of France are absolutely undefended. The French fleet being concentrated in the Mediterranean the situation is very different from what it used to be, because the friendship which has grown up between the two countries has given them a sense of security that there was nothing to be feared from us.

The French coasts are absolutely undefended. The French fleet is in the Mediterranean, and has for some years been concentrated there because of the feeling of confidence and friendship which has existed between the two countries. My own feeling is that if a foreign fleet engaged in a war which France had not sought, and in which she had not been the aggressor, came down the English Channel and bombarded and battered the undefended coasts of France, we could not stand aside and see this going on practically within sight of our eyes, with our arms folded, looking on dispassionately, doing nothing! I believe that would be the feeling of this country. There are times when one feels that if these circumstances actually did arise, it would be a feeling which would spread with irresistible force throughout the land.

But I also want to look at the matter without sentiment, and from the point of view of British interests, and it is on that that I am going to base and justify what I am presently going to say to the House. If we say nothing at this moment, what is France to do with her fleet in the Mediterranean? If she leaves it there, with no statement from us as to what we will do, she leaves her Northern and Western coasts absolutely undefended, at the mercy of a German fleet coming down the Channel, to do as it pleases in a war which is a war of life and death between them. If we say nothing, it may be that the French fleet is withdrawn from the Mediterranean. We are in the presence of a European conflagration; can anybody set limits to the consequences that may arise out of it? Let us assume that to-day we stand aside in an attitude of neutrality, saying, "No, we cannot undertake and engage to help either party in this conflict." Let us suppose the French fleet is withdrawn from the Mediterranean; and let us assume that the consequences—which are already tremendous in what has happened in Europe even to countries which are at peace—in fact, equally whether countries are at peace or at war—let us assume that out of that come consequences unforeseen, which make it necessary at a sudden moment that, in defence of vital British interests, we should go to war: and let us assume—which is quite possible—that Italy, who is now neutral—[Hon. Members: "Hear, hear!"]—because, as I understand, she considers that this war is an aggressive war, and the Triple Alliance being a defensive alliance her obligation did not arise—let us assume that consequences which are not yet foreseen—and which perfectly legitimately consulting her own interests—make Italy depart from her atti-

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tude of neutrality at a time when we are forced in defence of vital British interests ourselves to fight, what then will be the position in the Mediterranean? It might be that at some critical moment those consequences would be forced upon us because our trade routes in the Mediterranean might be vital to this country.

Nobody can say that in the course of the next few weeks there is any particular trade route the keeping open of which may not be vital to this country. What will be our position then? We have not kept a fleet in the Mediterranean which is equal to dealing alone with a combination of other fleets in the Mediterranean. It would be the very moment when we could not detach more ships to the Mediterranean, and we might have exposed this country from our negative attitude at the present moment to the most appalling risk. I say that from the point of view of British interests. We feel strongly that France was entitled to know—and to know at once!—whether or not in the event of attack upon her unprotected Northern and Western coasts she could depend upon British support. In that emergency, and in these compelling circumstances, yesterday afternoon I gave to the French Ambassador the following statement:

"I am authorized to give an assurance that if the German fleet comes into the Channel or through the North Sea to undertake hostile operations against the French, coasts or shipping, the British fleet will give all the protection in its power. This assurance is, of course, subject to the policy of His Majesty's Government receiving the support of Parliament, and must not be taken as binding His Majesty's Government to take any action until the above contingency of action by the German fleet takes place."

I read that to the House, not as a declaration of war on our part, not as entailing immediate aggressive action on our part, but as binding us to take aggressive action should that contingency arise. Things move very hurriedly from hour to hour. Fresh news comes in, and I cannot give this in any very formal way; but I understand that the German Government would be prepared, if we would pledge ourselves to neutrality, to agree that its fleet would not attack the Northern coast of France. I have only heard that shortly before I came to the House, but it is far too narrow an engagement for us. And, Sir, there is the more serious consideration—becoming more serious every hour—there is the question of the neutrality of Belgium.

I shall have to put before the House at some length what is our position in regard to Belgium. The governing factor is the Treaty of 1839, but this is a Treaty with a history—a history accumulated since. In 1870, when there was war between France and Germany, the question of the neutrality of Belgium arose, and various things were said. Amongst other things, Prince Bismarck gave an assurance to Belgium that, confirming his verbal assurance, he gave in writing a declaration which he said was superfluous in reference to the Treaty in existence—that the German Confederation and its allies would respect the neutrality of Belgium, it being always understood that that neutrality would be respected by the other belligerent Powers. That is valuable as a recognition in 1870 on the part of Germany of the sacredness of these Treaty rights.

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What was our own attitude? The people who laid down the attitude of the British Government were Lord Granville in the House of Lords, and Mr Gladstone in the House of Commons. Lord Granville, on August 8, 1870, used these words. He said:

"We might have explained to the country and to foreign nations that we did not think this country was bound either morally or internationally or that its interests were concerned in the maintenance of the neutrality of Belgium, though this course might have had some conveniences, though it might have been easy to adhere to it, though it might have saved us from some immediate danger, it is a course which Her Majesty's Government thought it impossible to adopt in the name of the country with any due regard to the country's honour or to the country's interests."

Mr Gladstone spoke as follows two days later:

"There is, I admit, the obligation of the Treaty. It is not necessary, nor would time permit me, to enter into the complicated question of the nature of the obligations of that Treaty; but I am not able to subscribe to the doctrine of those who have held in this House what plainly amounts to an assertion, that the simple fact of the existence of a guarantee is binding on every party to it, irrespectively altogether of the particular position in which it may find itself at the time when the occasion for acting on the guarantee arises. The great authorities upon foreign policy to whom I have been accustomed to listen, such as Lord Aberdeen and Lord Palmerston, never to my knowledge took that rigid and, if I may venture to say so, that impracticable view of the guarantee. The circumstance that there is already an existing guarantee in force is of necessity an important fact, and a weighty element in the case to which we are bound to give full and ample consideration. There is also this further consideration, the force of which we must all feel most deeply, and that is, the common interests against the unmeasured aggrandisement of any Power whatever."

The Treaty is an old Treaty—1839—and that was the view taken of it in 1870. It is one of those Treaties which are founded, not only on consideration for Belgium, which benefits under the Treaty, but in the interests of those who guarantee the neutrality of Belgium. The honour and interests are, at least, as strong to-day as in 1870, and we cannot take a more narrow view or a less serious view of our obligations, and of the importance of those obligations than was taken by Mr Gladstone's Government in 1870.

I will read to the House what took place last week on this subject. When mobilization was beginning, I knew that this question must be a most important element in our policy—a most important subject for the House of Commons. I telegraphed at the same time in similar terms to both Paris and Berlin to say that it was essential for us to know whether the French and German Governments respectively were prepared to undertake an engagement to respect the neutrality of Belgium. These are the replies. I got from the French Government this reply:

"The French Government are resolved to respect the neutrality of Belgium, and it would only be in the event of some other Power violating that neutrality that France might find herself under the necessity, in order

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to assure the defence of her security, to act otherwise. This assurance has been given several times. The President of the Republic spoke of it to the King of the Belgians, and the French Minister at Brussels has spontaneously renewed the assurance to the Belgian Minister of Foreign Affairs to-day."

From the German Government the reply was:

"The Secretary of State for Foreign Affairs could not possibly give an answer before consulting the Emperor and the Imperial Chancellor."

Sir Edward Goschen, to whom I had said it was important to have an answer soon, said he hoped the answer would not be too long delayed. The German Minister for Foreign Affairs then gave Sir Edward Goschen to understand that he rather doubted whether they could answer at all, as any reply they might give could not fail, in the event of war, to have the undesirable effect of disclosing, to a certain extent, part of their plan of campaign. I telegraphed at the same time to Brussels to the Belgian Government, and I got the following reply from Sir Francis Villiers:

"The Minister for Foreign Affairs thanks me for the communication, and replies that Belgium will, to the utmost of her power, maintain neutrality, and expects and desires other Powers to observe and uphold it. He begged me to add that the relations between Belgium and the neighbouring Powers were excellent, and there was no reason to suspect their intentions, but that the Belgian Government believe, in the case of violation, they were in a position to defend the neutrality of their country."

It now appears from the news I have received to-day—which has come quite recently, and I am not yet quite sure how far it has reached me in an accurate form—that an ultimatum has been given to Belgium by Germany, the object of which was to offer Belgium friendly relations with Germany on condition that she would facilitate the passage of German troops through Belgium. Well, Sir, until one has these things absolutely definitely, up to the last moment, I do not wish to say all that one would say if one were in a position to give the House full, complete, and absolute information upon the point. We were sounded in the course of last week as to whether if a guarantee were given that, after the war, Belgian integrity would be preserved that would content us. We replied that we could not bargain away whatever interests or obligations we had in Belgian neutrality.

Shortly before I reached the House I was informed that the following telegram had been received from the King of the Belgians by our King—King George:

"Remembering the numerous proofs of your Majesty's friendship and that of your predecessors, and the friendly attitude of England in 1870, and the proof of friendship she has just given us again, I make a supreme appeal to the diplomatic intervention of your Majesty's Government to safeguard the integrity of Belgium."

Diplomatic intervention took place last week on our part. What can diplomatic intervention do now? We have great and vital interests in the

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independence—and integrity is the least part—of Belgium. If Belgium is compelled to submit to allow her neutrality to be violated, of course, the situation is clear. Even if by agreement she admitted the violation of her neutrality, it is clear she could only do so under duress. The smaller States in that region of Europe ask but one thing. Their one desire is that they should be left alone and independent. The one thing they fear is, I think, not so much that their integrity but that their independence should be interfered with. If in this war which is before Europe the neutrality of one of those countries is violated, if the troops of one of the combatants violate its neutrality and no action be taken to resent it, at the end of the war, whatever the integrity may be, the independence will be gone.

I have one further quotation from Mr Gladstone as to what he thought about the independence of Belgium. It will be found in *Hansard*, volume 203, page 1787. I have not had time to read the whole speech and verify the context, but the thing seems to me so clear that no context could make any difference to the meaning of it. Mr Gladstone said:

“We have an interest in the independence of Belgium which is wider than that which we may have in the literal operation of the guarantee. It is found in the answer to the question whether under the circumstances of the case, this country, endowed as it is with influence and power, would quietly stand by and witness the perpetration of the direst crime that ever stained the pages of history, and thus become participators in the sin.”

No, Sir, if it be the case that there has been anything in the nature of an ultimatum to Belgium, asking her to compromise or violate her neutrality, whatever may have been offered to her in return, her independence is gone if that holds. If her independence goes, the independence of Holland will follow. I ask the House from the point of view of British interests, to consider what may be at stake. If France is beaten in a struggle of life and death, beaten to her knees, loses her position as a great Power, becomes subordinate to the will and power of one greater than herself—consequences which I do not anticipate, because I am sure that France has the power to defend herself with all the energy and ability and patriotism which she has shown so often—still, if that were to happen, and if Belgium fell under the same dominating influence, and then Holland, and then Denmark, then would not Mr Gladstone's words come true, that just opposite to us there would be a common interest against the unmeasured aggrandisement of any Power?

It may be said, I suppose, that we might stand aside, husband our strength, and that whatever happened in the course of this war at the end of it intervene with effect to put things right, and to adjust them to our own point of view. If, in a crisis like this, we run away from our obligation of honour and interest as regards the Belgian Treaty, I doubt whether, whatever material force we might have at the end, it would be of very much value in face of the respect that we should have lost. And do not believe, whether a great Power stands outside this war or not, it is going to be in a position at the end of it to exert its superior strength. For us, with a powerful fleet which we believe able to protect our com-

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merce, to protect our shores, and to protect our interests, if we are engaged in war, we shall suffer but little more than we shall suffer even if we stand aside.

We are going to suffer, I am afraid, terribly in this war whether we are in it or whether we stand aside. Foreign trade is going to stop, not because the trade routes are closed, but because there is no trade at the other end. Continental nations engaged in war—all their populations, all their energies, all their wealth, engaged in a desperate struggle—they cannot carry on the trade with us that they are carrying on in times of peace, whether we are parties to the war or whether we are not. I do not believe for a moment that at the end of this war, even if we stood aside and remained aside, we should be in a position, a material position, to use our force decisively to undo what had happened in the course of the war, to prevent the whole of the West of Europe opposite to us—if that had been the result of the war—falling under the domination of a single Power, and I am quite sure that our moral position would be such as to have lost us all respect. I can only say that I have put the question of Belgium somewhat hypothetically, because I am not yet sure of all the facts, but, if the facts turn out to be as they have reached us at present, it is quite clear that there is an obligation on this country to do its utmost to prevent the consequences to which those facts will lead if they are undisputed.

I have read to the House the only engagements that we have yet taken definitely with regard to the use of force. I think it is due to the House to say that we have taken no engagement yet with regard to sending an Expeditionary armed force out of the country. Mobilization of the fleet has taken place; mobilization of the army is taking place; but we have as yet taken no engagement, because I do feel that in the case of a European conflagration such as this, unprecedented, with our enormous responsibilities in India and other parts of the Empire, or in countries in British occupation, with all the unknown factors, we must take very carefully into consideration the use which we make of sending an Expeditionary Force out of the country until we know how we stand. One thing I would say.

The one bright spot in the whole of this terrible situation is Ireland. The general feeling throughout Ireland—and I would like this to be clearly understood abroad—does not make the Irish question a consideration which we feel we have now to take into account. I have told the House how far we have at present gone in commitments and the conditions which influence our policy, and I have put to the House and dwelt at length upon how vital is the condition of the neutrality of Belgium.

What other policy is there before the House? There is but one way in which the Government could make certain at the present moment of keeping outside this war, and that would be that it should immediately issue a proclamation of unconditional neutrality. We cannot do that. We have made the commitment to France that I have read to the House which prevents us from doing that. We have got the consideration of Belgium which prevents us also from any unconditional neutrality, and, without those conditions absolutely satisfied and satisfactory, we are bound not to shrink from proceeding to the use of all the forces in our power. If we did take that line by saying, "We will have nothing whatever to do with this matter" under no conditions—the Belgian Treaty obligations, the possible position in the Mediterranean, with damage to British interests, and what may happen to

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France from our failure to support France—if we were to say that all those things mattered nothing, were as nothing, and to say we would stand aside, we should, I believe, sacrifice our respect and good name and reputation before the world, and should not escape the most serious and grave economic consequences.

My object has been to explain the view of the Government, and to place before the House the issue and the choice. I do not for a moment conceal, after what I have said, and after the information, incomplete as it is, that I have given to the House with regard to Belgium, that we must be prepared, and we are prepared, for the consequences of having to use all the strength we have at any moment—we know not how soon—to defend ourselves and to take our part. We know, if the facts all be as I have stated them, though I have announced no intending aggressive action on our part, no final decision to resort to force at a moment's notice, until we know the whole of the case, that the use of it may be forced upon us. As far as the forces of the Crown are concerned, we are ready. I believe the Prime Minister and my right hon. friend the First Lord of the Admiralty have no doubt whatever that the readiness and the efficiency of those forces were never at a higher mark than they are to-day, and never was there a time when confidence was more justified in the power of the Navy to protect our commerce and to protect our shores. The thought is with us always of the suffering and misery entailed from which no country in Europe will escape abstention, and from which no neutrality will save us. The amount of harm that can be done by an enemy ship to our trade is infinitesimal, compared with the amount of harm that must be done by the economic condition that is caused on the Continent.

The most awful responsibility is resting upon the Government in deciding what to advise the House of Commons to do. We have disclosed our mind to the House of Commons. We have disclosed the issue, the information which we have, and made clear to the House, I trust, that we are prepared to face that situation, and that should it develop, as probably it may develop, we will face it. We worked for peace up to the last moment, and beyond the last moment. How hard, how persistently, and how earnestly we strove for peace last week, the House will see from the Papers that will be before it.

But that is over, as far as the peace of Europe is concerned. We are now face to face with a situation and all the consequences which it may yet have to unfold. We believe we shall have the support of the House at large in proceeding to whatever the consequences may be and whatever measures may be forced upon us by the development of facts or action taken by others. I believe the country, so quickly has the situation been forced upon it, has not had time to realize the issue. It perhaps is still thinking of the quarrel between Austria and Servia, and not the complications of this matter which have grown out of the quarrel between Austria and Servia. Russia and Germany we know are at war. We do not yet know officially that Austria, the ally whom Germany is to support, is yet at war with Russia. We know that a good deal has been happening on the French frontier. We do not know that the German Ambassador has left Paris.

The situation has developed so rapidly that technically, as regards the condition of the war, it is most difficult to describe what has actually happened. I wanted to bring out the underlying issues which would affect our

Sir Edward Grey's Speech

own conduct, and our own policy, and to put them clearly. I have put the vital facts before the House, and if, as seems not improbable, we are forced, and rapidly forced, to take our stand upon those issues, then I believe, when the country realizes what is at stake, what the real issues are, the magnitude of the impending dangers in the West of Europe, which I have endeavoured to describe to the House, we shall be supported throughout, not only by the House of Commons, but by the determination, the resolution, the courage, and the endurance of the whole country.

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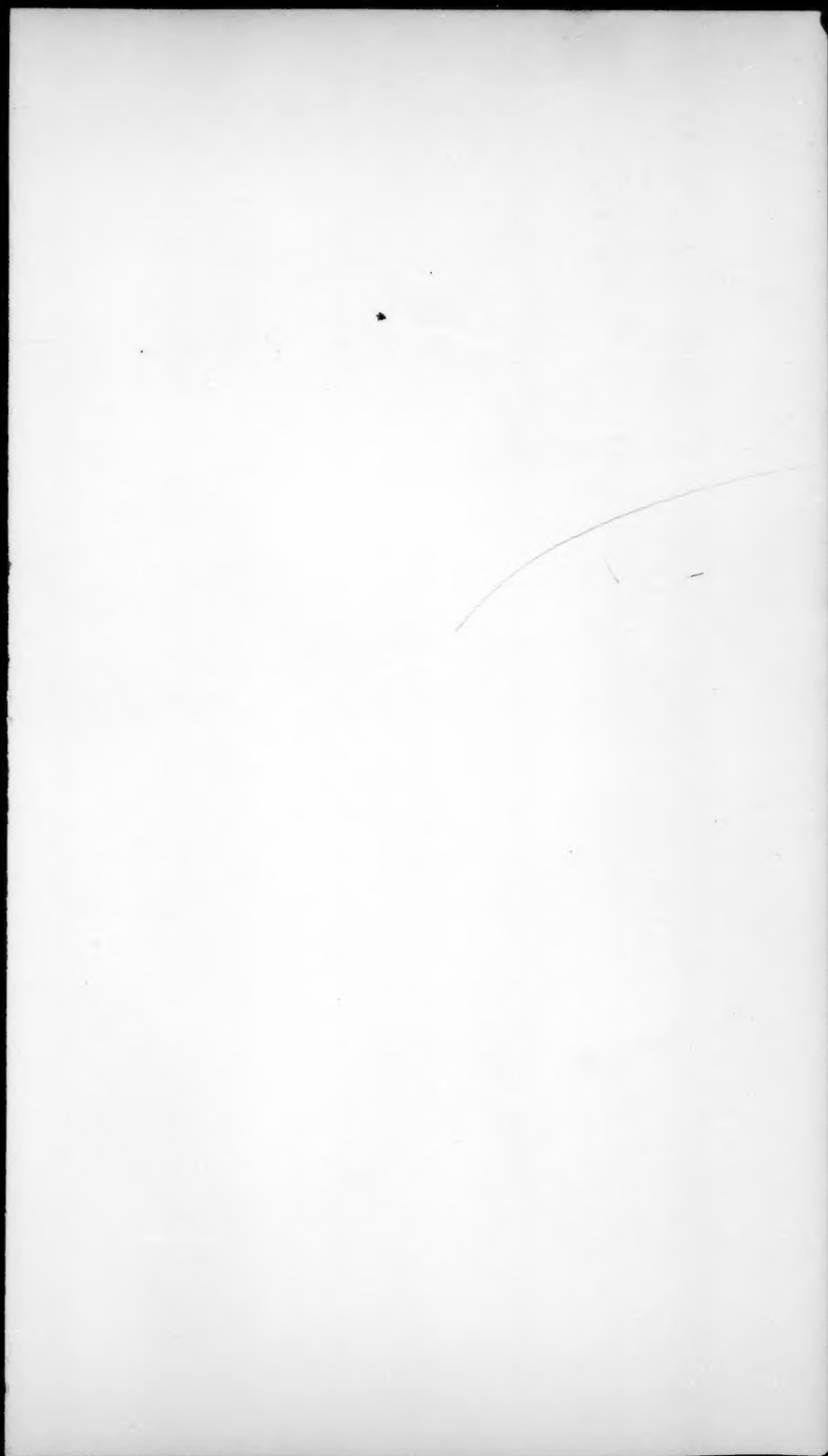
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